

**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999 & 1998**

KIRTLAND LOCAL SCHOOL DISTRICT

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Kirtland Local School District, Lake County, Ohio, (the District), as of and for the years ended June 30, 1999 and June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999 and June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

A handwritten signature in black ink that reads "Jim Petro".

JIM PETRO  
Auditor of State

December 21, 1999

KIRTLAND LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET  
All Fund Types and Account Groups  
June 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Long-Term Obligations	General Assets		(Memorandum Only)
<b>ASSETS</b>												
Equity in pooled cash and cash equivalents	\$ 852,711	71,559	106,887	129,885	58,230	207,775	88,436	-	-	-	1,515,283	
Restricted cash and cash equivalents	108,797	-	-	-	-	-	-	-	-	-	108,797	
Cash with fiscal agents	-	-	5,798	-	-	-	-	-	-	-	5,798	
Receivables:												
Taxes	5,472,822	-	183,218	213,428	-	-	-	-	-	-	5,869,468	
Accounts	10,818	687	-	16	-	-	300	-	-	-	11,821	
Intergovernmental	800	5,365	-	-	2,879	2,616,845	-	-	-	-	2,625,889	
Prepaid items	1,996	-	-	-	-	-	-	-	-	-	1,996	
Inventory	-	-	-	-	8,035	-	-	-	-	-	8,035	
Fixed assets (Net, where applicable, of accumulated depreciation)	-	-	-	-	8,772	1,047,157	-	-	-	19,842,394	20,898,323	
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	121,535	-	121,535	
Amount to be provided from general government resources	-	-	-	-	-	-	-	-	2,422,322	-	2,422,322	
<b>Total Assets</b>	<b>\$ 6,447,944</b>	<b>77,611</b>	<b>295,903</b>	<b>343,129</b>	<b>77,916</b>	<b>3,871,777</b>	<b>88,736</b>	<b>19,842,394</b>	<b>2,543,857</b>	<b>33,589,267</b>		

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET  
All Fund Types and Account Groups - continued  
June 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	Long-Term Obligations	(Memorandum Only)	
<b>LIABILITIES</b>												
Accounts payable	\$ 1,919	1,511	-	450	567	2,607,679	19	-	-	-	-	2,612,145
Accrued wages and benefits	612,139	316	-	-	10,372	16,195	-	-	-	-	-	639,022
Compensated absences payable	16,972	-	-	-	5,165	8,219	-	-	-	400,568	-	430,924
Pension obligation payable	114,263	187	-	-	5,933	11,401	-	-	-	68,289	-	200,073
Due to other governments	20,688	243	-	-	303	3,091	-	-	-	-	-	24,325
Deferred revenue	5,079,964	-	168,570	197,348	-	-	-	-	-	-	-	5,445,882
Deposits held and due to others	-	-	-	-	-	-	24,090	-	-	-	-	24,090
Matured bonds and interest payable	-	-	5,798	-	-	-	-	-	-	-	-	5,798
General obligation bonds payable	-	-	-	-	-	-	-	-	-	2,075,000	-	2,075,000
<b>Total Liabilities</b>	\$ 5,845,945	2,257	174,368	197,798	22,340	2,646,585	24,109	-	-	2,543,857	-	11,457,259
<b>FUND EQUITY</b>												
Investment in general fixed assets	-	-	-	-	-	-	-	19,842,394	-	-	-	19,842,394
Retained earnings:												
Reserved for contributions	-	-	-	-	-	-	64,827	-	-	-	-	64,827
Unreserved: undesignated	-	-	-	-	55,576	68,987	-	-	-	-	-	124,563
Fund balance:												
Reserved for encumbrances	\$ 41,822	16,381	-	1,479	-	-	-	-	-	-	-	59,682
Reserved for property taxes	392,858	-	14,648	16,080	-	-	-	-	-	-	-	423,586
Reserved for prepaid items	1,996	-	-	-	-	-	-	-	-	-	-	1,996
Reserved for debt service	-	-	106,887	-	-	-	-	-	-	-	-	106,887
Reserved for budget stabilization	108,797	-	-	-	-	-	-	-	-	-	-	108,797
Unreserved: undesignated	56,526	58,973	-	127,772	-	1,156,205	-	-	-	-	-	1,399,476
<b>Total Fund Equity</b>	601,999	75,354	121,535	145,331	55,576	1,225,192	64,827	19,842,394	-	-	-	22,132,008
<b>Total Liabilities and Fund Equity</b>	\$ 6,447,944	77,611	295,903	343,129	77,916	3,871,777	88,736	19,842,394	2,543,857	-	-	33,569,267

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**All Governmental Fund Types**  
**For the Year Ended June 30, 1999**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b><u>REVENUES:</u></b>					
Taxes	\$ 5,475,995	-	185,341	215,433	5,876,769
Intergovernmental	1,613,007	118,832	23,938	53,877	1,809,654
Interest	81,723	-	9,835	-	91,558
Tuition and fees	85,289	31,006	-	-	116,295
Extracurricular activities	980	46,079	-	-	47,059
Miscellaneous	67,417	54,313	-	185	121,915
<b>Total Revenues</b>	<b>7,324,411</b>	<b>250,230</b>	<b>219,114</b>	<b>269,495</b>	<b>8,063,250</b>
<b><u>EXPENDITURES:</u></b>					
Instruction	3,862,751	69,043	-	67,990	3,999,784
Support Services:					
Pupils	362,893	32,816	-	2,684	418,393
Instructional staff	274,233	66,616	-	24,732	365,581
Board of education	51,034	-	-	-	51,034
Administration	589,845	894	-	12,805	603,544
Fiscal	259,725	-	2,727	3,984	266,436
Business	42,210	-	-	-	42,210
Operation and maintenance of plant	752,047	-	-	3,237	755,284
Pupil transportation	608,907	975	-	2,823	612,705
Central	20,203	2,030	-	-	22,233
Operation of non-instructional services	12,408	-	-	-	12,408
Extracurricular activities	297,977	170,016	-	7,082	475,075
Capital outlay	1,980	-	-	134,586	136,566
Debt Service:					
Principal retirement	-	-	115,000	-	115,000
Interest and fiscal charges	-	-	163,324	-	163,324
<b>Total Expenditures</b>	<b>7,156,213</b>	<b>342,390</b>	<b>281,051</b>	<b>259,923</b>	<b>8,039,577</b>
Excess of Revenues Over/(Under) Expenditures	168,198	(92,160)	(61,937)	9,572	23,673
<b><u>Other Financing Sources/(Uses):</u></b>					
Proceed from Sale of Fixed Assets	1,795	-	-	-	1,795
Refund of prior year expenditures	421	90	-	-	511
Refund of prior year receipts	-	(85)	-	-	(85)
<b>Total Other Financing Sources/(Uses)</b>	<b>2,216</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>2,221</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	170,414	(92,155)	(61,937)	9,572	25,894
Fund Balance/(Deficit) - July 1	435,832	167,509	183,472	135,759	922,572
Decrease in Reserved for Inventory	(4,247)	-	-	-	(4,247)
Fund Balance/(Deficit) - June 30	<b>\$ 601,999</b>	<b>75,354</b>	<b>121,535</b>	<b>145,331</b>	<b>944,219</b>

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>						
Taxes	\$ 5,589,081	5,507,096	(81,985)	-	-	-
Intergovernmental	1,587,194	1,612,657	25,463	118,832	113,467	(5,365)
Tuition	27,500	52,201	24,701	-	-	-
Earnings on investments	75,000	81,723	6,723	-	-	-
Extracurricular activities	500	950	450	43,800	45,392	1,592
Classroom materials and fees	34,500	31,552	(2,948)	24,000	31,006	7,006
Miscellaneous	39,000	59,163	20,163	168,000	54,413	(113,587)
<b>Total Revenues</b>	<b>7,352,775</b>	<b>7,345,342</b>	<b>(7,433)</b>	<b>354,632</b>	<b>244,278</b>	<b>(110,354)</b>
<b>EXPENDITURES:</b>						
Instruction	3,979,907	3,876,528	103,379	86,528	74,740	11,788
Support Services:						
Pupils	393,233	381,545	11,688	31,715	35,376	(3,661)
Instructional support	276,648	262,055	14,593	77,321	66,590	10,731
Board of education	78,575	53,427	25,148	-	-	-
Administration	560,672	580,701	(20,029)	1,948	894	1,054
Fiscal	249,839	250,639	(800)	-	-	-
Business	48,000	42,210	5,790	-	-	-
Operation and maintenance of plant	843,516	740,096	103,420	-	-	-
Pupil transportation	614,280	618,772	(4,492)	3,818	975	2,843
Central	27,955	21,533	6,422	5,282	4,579	703
Operation of noninstructional services	12,499	12,190	309	-	-	-
Extracurricular activities	315,280	295,692	19,588	184,550	183,428	1,122
Capital outlay	6,980	1,980	5,000	-	-	-
Debt Service:						
Principal payments	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>7,407,384</b>	<b>7,137,368</b>	<b>270,016</b>	<b>391,162</b>	<b>366,582</b>	<b>24,580</b>
Excess of Revenues Over/ (Under) Expenditures	(54,609)	207,974	262,583	(36,530)	(122,304)	(85,774)
<b>Other Financing Sources/(Uses):</b>						
Sale of fixed assets	-	1,795	1,795	-	-	-
Refund of prior year receipts	-	-	-	(85)	(85)	-
Refund of prior year expenditures	-	587	587	-	90	90
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>2,382</b>	<b>2,382</b>	<b>(85)</b>	<b>5</b>	<b>90</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(54,609)	210,356	264,965	(36,615)	(122,299)	(85,684)
Fund Balance/(Deficit) July 1	685,234	685,234	-	154,615	154,615	-
Prior year encumbrances appropriated	22,836	22,836	-	21,350	23,350	-
<b>Fund Balance/(Deficit) June 30</b>	<b>\$ 653,461</b>	<b>918,426</b>	<b>264,965</b>	<b>139,350</b>	<b>55,666</b>	<b>(85,684)</b>

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 1999

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>						
Taxes	\$ 188,353	186,415	(1,938)	214,785	214,785	-
Intergovernmental	25,000	23,938	(1,062)	53,877	53,877	-
Tuition	-	-	-	-	-	-
Earnings on investments	6,000	9,835	3,835	-	-	-
Extracurricular activities	-	-	-	-	-	-
Classroom materials and fees	-	-	-	-	-	-
Miscellaneous	-	-	-	20	211	191
<b>Total Revenues</b>	<b>219,353</b>	<b>220,188</b>	<b>835</b>	<b>268,682</b>	<b>268,873</b>	<b>191</b>
<b>EXPENDITURES:</b>						
Instruction	-	-	-	96,724	68,708	28,016
Support Services:						
Pupils	-	-	-	2,600	2,684	(84)
Instructional support	-	-	-	40,754	25,473	15,281
Board of education	-	-	-	-	-	-
Administration	-	-	-	15,200	12,805	2,395
Fiscal	3,000	2,727	273	7,800	3,984	3,816
Business	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	30,500	3,257	27,243
Pupil transportation	-	-	-	5,000	2,823	2,177
Central	-	-	-	-	-	-
Operation of noninstructional services	-	-	-	-	-	-
Extracurricular activities	-	-	-	7,500	7,082	418
Capital outlay	-	-	-	170,586	134,586	36,000
Debt Service:						
Principal payments	115,000	115,000	-	-	-	-
Interest and fiscal charges	163,324	163,324	-	-	-	-
<b>Total Expenditures</b>	<b>281,324</b>	<b>281,051</b>	<b>273</b>	<b>376,664</b>	<b>261,402</b>	<b>115,262</b>
Excess of Revenues Over/ (Under) Expenditures	(61,971)	(60,863)	1,108	(107,982)	7,471	115,453
<b>Other Financing Sources/(Uses):</b>						
Sale of fixed assets	-	-	-	-	-	-
Refund of prior year receipts	-	-	-	-	-	-
Refund of prior year expenditures	-	-	-	-	-	-
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(61,971)	(60,863)	1,108	(107,982)	7,471	115,453
Fund Balance/(Deficit) July 1	167,750	167,750	-	71,539	71,539	-
Prior year encumbrances appropriated	-	-	-	48,748	48,748	-
<b>Fund Balance/(Deficit) June 30</b>	<b>\$ 105,779</b>	<b>106,887</b>	<b>1,108</b>	<b>12,305</b>	<b>127,758</b>	<b>115,453</b>

See accompanying notes to the general purpose financial statements



**KIRTLAND LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 1999

	Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>REVENUES:</u></b>			
Taxes	\$ 5,992,219	5,908,296	(83,923)
Intergovernmental	1,784,903	1,803,939	19,036
Tuition	27,500	52,201	24,701
Earnings on investments	81,000	91,558	10,558
Extracurricular activities	44,300	46,342	2,042
Classroom materials and fees	58,500	62,558	4,058
Miscellaneous	207,020	113,787	(93,233)
<b>Total Revenues</b>	<b>8,195,442</b>	<b>8,078,681</b>	<b>(116,761)</b>
<b><u>EXPENDITURES:</u></b>			
Instruction	4,163,159	4,019,976	143,183
Support Services:			
Pupils	427,548	419,605	7,943
Instructional support	394,723	354,118	40,605
Board of education	78,575	53,427	25,148
Administration	577,820	594,400	(16,580)
Fiscal	260,639	257,350	3,289
Business	48,000	42,210	5,790
Operation and maintenance of plant	874,016	743,353	130,663
Pupil transportation	623,098	622,570	528
Central	33,237	26,112	7,125
Operation of noninstructional services	12,499	12,190	309
Extracurricular activities	507,330	486,202	21,128
Capital outlay	177,566	136,566	41,000
Debt Service:			
Principal payments	115,000	115,000	-
Interest and fiscal charges	163,324	163,324	-
<b>Total Expenditures</b>	<b>8,456,534</b>	<b>8,046,403</b>	<b>410,131</b>
<b>Excess of Revenues Over/ (Under) Expenditures</b>	<b>(261,092)</b>	<b>32,278</b>	<b>293,370</b>
<b><u>Other Financing Sources/(Uses):</u></b>			
Sale of fixed assets	-	1,795	1,795
Refund of prior year receipts	(85)	(85)	-
Refund of prior year expenditures	-	677	677
<b>Total Other Financing Sources/(Uses)</b>	<b>(85)</b>	<b>2,387</b>	<b>2,472</b>
<b>Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses</b>	<b>(261,177)</b>	<b>34,665</b>	<b>295,842</b>
Fund Balance/(Deficit) July 1	1,079,138	1,079,138	-
Prior year encumbrances appropriated	92,934	94,934	-
<b>Fund Balance/(Deficit) June 30</b>	<b>\$ 910,895</b>	<b>1,208,737</b>	<b>295,842</b>

See accompanying notes to the general purpose financial statements

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**KIRTLAND LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**All Proprietary Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>(Memorandum Only)</u>
<b><u>Operating revenues:</u></b>				
Food services	\$ 209,484	-	-	209,484
Transportation fees	-	1,963,204	-	1,963,204
Interest	-	-	3,264	3,264
Miscellaneous	-	-	350	350
<b>Total Operating Revenues</b>	<b>209,484</b>	<b>1,963,204</b>	<b>3,614</b>	<b>2,176,302</b>
<b><u>Operating expenses:</u></b>				
Salaries	70,128	2,364,746	-	2,434,874
Fringe benefits	31,710	39,143	-	70,853
Purchased services	2,087	217,632	2,000	221,719
Materials and supplies	123,359	54,765	807	178,931
Depreciation expense	1,829	138,984	-	140,813
Other expenses	-	-	894	894
<b>Total Operating Expenses</b>	<b>229,113</b>	<b>2,815,270</b>	<b>3,701</b>	<b>3,048,084</b>
<b>Operating Income/(Loss)</b>	<b>(19,629)</b>	<b>(852,066)</b>	<b>(87)</b>	<b>(871,782)</b>
<b><u>Nonoperating revenues/(expenses):</u></b>				
Federally donated commodities	12,644	-	-	12,644
Intergovernmental	21,930	850,601	-	872,531
Interest	1,968	6,436	-	8,404
Loss on disposal of fixed assets	-	(785)	-	(785)
Refund of prior year expense	70	-	-	70
Other non-operating revenues	-	64,800	-	64,800
<b>Total Nonoperating revenues/(expenses)</b>	<b>36,612</b>	<b>921,052</b>	<b>-</b>	<b>957,664</b>
<b>Net Income/(Loss)</b>	<b>16,983</b>	<b>68,986</b>	<b>(87)</b>	<b>85,882</b>
<b>Retained Earnings/(Deficit) - July 1</b>	<b>38,593</b>	<b>1,156,206</b>	<b>64,714</b>	<b>1,259,513</b>
<b>Retained Earnings/(Deficit) - June 30</b>	<b>\$ 55,576</b>	<b>1,225,192</b>	<b>64,627</b>	<b>1,345,395</b>

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenses, and**  
**Changes in Fund Balances - Budget and Actual (Budgetary Basis)**  
**All Proprietary Fund Types and Similar Trust Fund**  
**For the Year Ended June 30, 1999**

	Enterprise Funds			Internal Service Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>OPERATING REVENUES:</u></b>						
Food services	\$ 209,980	209,254	(726)	-	-	-
Transportation fees	-	-	-	2,012,000	2,049,740	37,740
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>209,980</b>	<b>209,254</b>	<b>(726)</b>	<b>2,012,000</b>	<b>2,049,740</b>	<b>37,740</b>
<b><u>OPERATING EXPENSES:</u></b>						
Salaries	71,000	69,493	1,507	2,426,000	2,352,416	73,584
Fringe benefits	33,180	34,217	(1,037)	46,290	40,224	6,066
Purchased services	9,193	2,087	7,106	175,928	244,208	(68,280)
Materials and supplies	121,037	110,875	10,162	256,200	118,862	137,338
Capital outlay	10,000	7,259	2,741	508,844	331,123	177,721
Other operating expenses	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>244,410</b>	<b>223,931</b>	<b>20,479</b>	<b>3,413,262</b>	<b>3,086,833</b>	<b>326,429</b>
Excess of Operating Revenues Over/ (Under) Operating Expenses	(34,430)	(14,677)	19,753	(1,401,262)	(1,037,093)	364,169
<b><u>Non-Operating Revenues:</u></b>						
Intergovernmental	20,950	20,815	(135)	1,150,000	844,592	(305,408)
Interest	-	1,968	1,968	15,000	6,436	(8,564)
Refund of prior year expenditures	70	70	-	-	6,009	6,009
Sale of fixed assets	-	-	-	-	6,700	6,700
Miscellaneous revenues	-	-	-	60,000	64,800	4,800
<b>Total Non-Operating Revenues</b>	<b>21,020</b>	<b>22,853</b>	<b>1,833</b>	<b>1,225,000</b>	<b>928,537</b>	<b>(296,463)</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(13,410)	8,176	21,586	(176,262)	(108,556)	67,706
Fund Balance/(Deficit) July 1	49,323	49,323	-	154,367	154,367	-
Prior year encumbrances appropriated	230	230	-	104,072	104,072	-
Fund Balance/(Deficit) June 30	\$ <u>36,143</u>	<u>57,729</u>	<u>21,586</u>	<u>82,177</u>	<u>149,883</u>	<u>67,706</u>

See accompanying notes to the general purpose financial statements

Non-Expendable Trust Fund			Total - (Memorandum Only)		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
-	-	-	\$ 209,980	209,254	(726)
-	-	-	2,012,000	2,049,740	37,740
\$ 3,200	3,264	64	3,200	3,264	64
350	350	-	350	350	-
3,550	3,614	64	2,225,530	2,262,608	37,078
-	-	-	2,497,000	2,421,909	75,091
-	-	-	79,470	74,441	5,029
2,400	2,000	400	187,521	248,295	(60,774)
300	807	(507)	377,537	230,544	146,993
500	-	500	519,344	338,382	180,962
900	894	6	900	894	6
4,100	3,701	399	3,661,772	3,314,465	347,307
(550)	(87)	463	(1,436,242)	(1,051,857)	384,385
-	-	-	1,170,950	865,407	(305,543)
-	-	-	15,000	8,404	(6,596)
-	-	-	70	6,079	6,009
-	-	-	-	6,700	6,700
-	-	-	15,000	8,404	(6,596)
-	-	-	1,201,020	894,994	(306,026)
(550)	(87)	463	(235,222)	(156,863)	78,359
64,714	64,714	-	268,404	268,404	-
-	-	-	104,302	104,302	-
\$ 64,164	64,627	463	\$ 137,484	215,843	78,359

**KIRTLAND LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF CHANGES IN CASH FLOWS**  
*All Proprietary Fund Types and Similar Trust Funds*  
For the Year Ended June 30, 1999

	Enterprise	Internal Service	Non- Expendable Trust	Total (Memorandum Only)
<b>Cash flows from operating activities:</b>				
Net operating income/(loss)	\$ (19,629)	(852,066)	(87)	(871,782)
Adjustments to reconcile net income/ (loss) to net cash provided/(used) by operating activities:				
Commodities expense related to noncash grant	12,644	-	-	12,644
Depreciation	1,829	138,984	-	140,813
(Increase)/decrease in assets:				
Due from other governments	(1,115)	86,536	-	85,421
Inventories	(1,056)	-	-	(1,056)
Increase/(decrease) in liabilities:				
Accounts payable	567	(88,338)	-	(87,771)
Accrued wages and benefits	635	9,510	-	10,145
Compensated absences payable	(2,904)	(2,807)	-	(5,711)
Pension obligation payable	430	3,462	-	3,892
Due to other governments	(33)	2,577	-	2,544
Net cash provided/(used) for operating activities	\$ (8,632)	(702,142)	(87)	(710,861)
<b>Cash flows from noncapital financing activities:</b>				
Intergovernmental	\$ 21,930	850,601	-	872,531
Refund of prior year expense	70	-	-	70
Other nonoperating revenues	-	64,800	-	64,800
Net cash provided/(used) for noncapital financing activities	\$ 22,000	915,401	-	937,401
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	\$ (6,430)	(277,060)	-	(283,490)
Sale of fixed assets	-	6,700	-	6,700
Net cash provided/(used) for capital and related financing activities	\$ (6,430)	(270,360)	-	(276,790)
<b>Cash flows from investing activities:</b>				
Interest	\$ 1,968	6,436	-	8,404
Net cash provided/(used) for investing activities	\$ 1,968	6,436	-	8,404
Net increase/(decrease) in cash and cash equivalents	\$ 8,906	(50,665)	(87)	(41,846)
Cash and cash equivalents, 7/1/98	49,324	258,440	64,714	372,478
Cash and cash equivalents, 6/30/99	\$ 58,230	207,775	64,627	330,632

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

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/or federal guidelines.

The School District was established 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 61 non-certificated employees and 80 certificated full-time teaching personnel who provide services to 938 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, a maintenance garage and bus garage.

*Reporting Entity:*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the 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.

Based on the above description, there are no component units within the School District.

The School District is associated with two organizations which are defined as jointly governed organizations, an insurance purchasing pool, a claims servicing pool, and a related organization. These organizations are the Auburn Career Center, Lake/Geauga Computer Association, the Ohio Schools' Council Workers' Compensation Group Rating Consortium, the Lake County Council of Governments Health Care Benefits Program, and the Kirtland Public Library, which are presented in Notes 15, 16, 17 and 18 to the general purpose financial statements.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

The following activities are not included within the reporting entity:

Parochial Schools - Within the School District boundaries, the Willo-Hill Christian School is operated by a religious organization. The School has refused state funding, therefore, is excluded from Kirtland Local School District fund activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kirtland Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available financial expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds or trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:



**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

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

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

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District, except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxes, interest, tuition, grants, and student fees.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable, and the expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

C. Budgetary Process

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

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non - GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

*Lapsing of Appropriations:*

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

D. 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.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio (State Treasurer's Investment Pool) and a sweep account. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. At year end, the District had no investments of this type.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund is \$81,723, to the debt service fund is \$9,835, to the enterprise fund is \$1,968, to the internal service fund is \$6,436, and to the non-expendable trust fund is \$3,264 during fiscal year 1999.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents (continued)

The School District has a segregated bank account for monies held separate from the School District's central bank account. This interest bearing depository account is presented on the combined balance sheet as "cash with fiscal agents" since it is not required to be deposited into an account separate from the School District treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds and buses in the internal service fund are computed using the straight-line method over the following estimated useful lives.

<u>Asset</u>	<u>Life (Years)</u>
Office equipment/copiers	6
Kitchen equipment/miscellaneous Furniture/fixtures/computers	7
Buses	10
Improvements	15

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available resources, since they are not a component of net current assets. At year end, the School District had no interfund assets/liabilities.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, worker's compensation, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year end are generally considered not to have been paid with current available financial resources.

*Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.*

N. Interfund Transactions

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

*Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.*



**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, prepaid items and budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 1999, the School District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." The statement established accounting policies for deferred compensation plans set up in a trust. The implementation of GASB Statement No. 32 had no effect on fund balance/retained earnings as it was previously reported as of June 30, 1998.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Proprietary Fund Types and Similar Trust Funds are 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:

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES  
OVER/(UNDER) EXPENDITURES AND OTHER FINANCING USES -  
All Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 170,414	\$ (92,155)	\$ (61,937)	\$ 9,572
Revenue Accruals	21,097	(5,952)	1,074	(622)
Expenditure Accruals	61,928	(6,300)	-	450
Encumbrances	(43,083)	(17,892)	-	(1,929)
Budget Basis	<u>\$ 210,356</u>	<u>\$(122,299)</u>	<u>\$ (60,863)</u>	<u>\$ 7,471</u>

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Income/Excess of Revenues Over/(Under) Expenses  
- All Proprietary Fund Types and  
Similar Trust Funds

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	\$ 16,983	\$ 68,986	\$ (87)
Revenue Accruals	(1,345)	93,236	-
Expense Accruals	(8,791)	(351,871)	-
Depreciation Expense	1,829	138,984	-
Encumbrances	<u>(500)</u>	<u>(57,891)</u>	<u>-</u>
Budget Basis	<u>\$ 8,176</u>	<u>\$(108,556)</u>	<u>\$ (87)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not 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.

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

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

*Cash on Hand:* During fiscal year 1999, the School District's investments were limited to STAR Ohio and a sweep account. During the fiscal year, all investments of the School District had a maturity of two years or less. At fiscal year end, the School District had \$135 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits (excluding change funds of \$135) was \$151,146 and the bank balance was \$289,281. Of the bank balance, \$100,000 was covered by federal depository insurance and \$189,281 was collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is unclassified investment since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
STAR Ohio	<u>\$1,478,367</u>	<u>\$1,478,367</u>
Total investments	<u>\$1,478,367</u>	<u>\$1,478,367</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$ 1,629,648	-
Cash on Hand	(135)	-
Investments:		
STAR Ohio	<u>(1,478,367)</u>	<u>\$ 1,478,367</u>
GASB Statement 3	<u>\$ 151,146</u>	<u>\$ 1,478,367</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of the true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate applied to real property for the fiscal year ended June 30, 1999 was \$66.19 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$28.53 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$32.16 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 6 - PROPERTY TAXES (continued)**

The rate applied to tangible personal property for the fiscal year ended June 30, 1999 was \$66.19 per \$1,000 of assessed valuation.

The School District receives property taxes from both 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 Counties by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$392,858 in the General Fund, \$14,648 in the Debt Service Fund, and \$16,080 in the Capital Projects Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

<i><b>GEAUGA COUNTY:</b></i>	<u>1998</u>	<u>1997</u>
Real Property -		
Residential/Agricultural	\$ 1,249,490	\$ 1,219,780
Tangible Personal Property -		
Personal	4,400	3,630
Public Utilities	<u>128,210</u>	<u>144,780</u>
Total Valuation	<u>\$ 1,382,100</u>	<u>\$ 1,368,190</u>
 <i><b>LAKE COUNTY:</b></i>		
Real Property	<u>\$197,514,120</u>	<u>\$167,672,810</u>
Tangible Personal Property -		
Personal	1,770,046	1,952,233
Public Utilities	11,650,090	11,868,960
\$10,000 Exempt	<u>924,720</u>	<u>877,258</u>
Total Valuation	<u>\$211,858,976</u>	<u>\$182,371,261</u>

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), 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.

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
State grant	\$ 800
Special Revenue Fund:	
Federal grant	\$ 5,365
Enterprise Funds:	
National School Lunch Program	\$ 2,879
Internal Service Funds:	
Regional Transportation	<u>\$ 2,616,845</u>
Total Intergovernmental Receivables	<u>\$ 2,625,889</u>

**NOTE 8 - FIXED ASSETS**

A summary of the Proprietary Funds' fixed assets at June 30, 1999 follows:

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Buses	-	\$ 2,116,127
Furniture and Equipment	\$ 83,895	-
Less Accumulated Depreciation	<u>(75,123)</u>	<u>(1,068,970)</u>
Net Fixed Assets	<u>\$ 8,772</u>	<u>\$ 1,047,157</u>



**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 8 - FIXED ASSETS (continued)**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at <u>6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/99</u>
Land and Improvements	\$ 563,700	\$ 52,701	-	\$ 616,401
Buildings and Improvements	17,334,629	-	\$(1,087,840)	16,246,789
Furniture, Fixtures and Equipment				
Vehicles	<u>2,867,250</u>	<u>151,922</u>	<u>(39,968)</u>	<u>2,979,204</u>
Total General Fixed Assets	<u>\$20,765,579</u>	<u>\$ 204,623</u>	<u>\$(1,127,808)</u>	<u>\$19,842,394</u>

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1999, the District has entered into contracts with various insurance agencies for various insurance.

The following is a list of all insurance coverage of the District and the deductibles associated with each:

<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Blanket Building and Contents	\$ 16,772,161	-
Extra Expense Coverage	1,000,000	-
Valuable Papers	25,000	-
Money and Securities	5,000	250
Boiler/Machinery - Blanket	30,000,000	1,000
Consequential Loss	50,000	500
Expediting Expenses/Hazardous		
Substance/Ammonia Contamination/		
Water Damage	100,000	-
Off Premises Service Interruption	500,000	12 hour
Ordinance or Law	1,000,000	-
Business Interruption & Extra Expense	Actual Loss	-
Liability	5,000,000	-
Business Auto - Liability	5,000,000	50
Uninsured Motorists - Comprehensive	2,000,000	-
Medical		250
Collision/Liability/Bodily Injury/Medical	5,000	-
Inland Marine		
Instruments	57,215	-
Contractor's Equipment	9,200/1,500	-
Transit	60,000	-

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 9 - RISK MANAGEMENT (continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the School District did not significantly reduce their limits of liability during the year.

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

For fiscal year 1999, the School District participated in the Ohio Schools Council, an insurance purchasing pool (Note 16). The intent of the Council 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 Council. 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 Council. Each participant pays its workers' compensation premium to the State based on the rate for the Council rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Council. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Council. Participation in the Council is limited to school districts that can meet the Council's selection criteria. The firm of Integrated Consulting Services, Inc. provides administrative, cost control and actuarial services to the Council.

The District has elected to provide medical coverage through a self-insurance program. The District uses the General Fund to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110% of expected claims. The claims liability of \$0 at June 30, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1998 and 1999 were:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
1998	\$0	\$ 507,498	\$ 507,498	\$0
1999	\$0	\$ 522,287	\$ 522,287	\$0

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Kirtland Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999 7.7 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$201,000, \$167,334, and \$159,078, respectively; 67.0 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$110,573 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

**B. State Teachers Retirement System**

The Kirtland Local School District participates to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent, 6.0 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$513,492, \$516,420, and \$506,388, respectively, 83.1 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$86,886 represents the unpaid contributions for fiscal year 1999 and is recorded as a liability within the respective funds.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions were 8.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$293,424 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. For the year ended June 30, 1998 (the latest information available) net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll for the fiscal year 1998 (the latest information available). In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$68,834 during the 1999 fiscal year.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 25 days. Employees with less than one year of service earn a pro-rata vacation rate per month worked, not to exceed five days. The vacation leave liability is \$16,972 in the General Fund, and \$5,319 in the Internal Service Fund and \$13,680 in the General Long-Term Debt Account Group.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro-rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 25% of the accumulated sick leave benefits at June 30, 1999 up to a maximum of 50 days. The sick leave liability is \$5,165 in the Enterprise Fund, \$2,900 in the Internal Service Fund and \$386,888 in the General Long-Term Debt Account Group.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees from Hartford Life Insurance through the Ohio Schools Council.

**NOTE 13 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding <u>6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/99</u>
School Improvement				
1989 8.431%	\$ 2,190,000	---	\$ (115,000)	\$ 2,075,000
Total Long-Term Bonds	2,190,000	---	(115,000)	2,075,000
Pension Obligation	55,297	\$ 68,289	(55,297)	68,289
Worker's Compensation	19,982	---	(19,982)	---
Compensated Absences	<u>722,799</u>	<u>---</u>	<u>(322,231)</u>	<u>400,568</u>
Total General Long Term Obligations	<u>\$ 2,988,078</u>	<u>\$ 68,289</u>	<u>\$ (512,510)</u>	<u>\$ 2,543,857</u>

Compensated absences, workers' compensation and the pension obligation will be paid from the fund from which the employees' salaries are paid. The current year activity for compensated absences is netted for practical purposes.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 13 - LONG - TERM OBLIGATIONS (continued)**

The School District's overall legal debt margin was \$17,238,232 with an unvoted debt margin of \$213,241 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999 are as follows:

<u>Fiscal Year</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2000	\$ 125,000	\$ 151,475	\$ 276,475
2001	135,000	140,409	275,409
2002	145,000	130,223	275,223
2003	160,000	119,090	279,090
2004	170,000	106,875	276,875
2005-2009	1,075,000	312,189	1,387,189
2010	<u>265,000</u>	<u>9,938</u>	<u>274,938</u>
Totals	<u>\$ 2,075,000</u>	<u>\$ 970,199</u>	<u>\$ 3,045,199</u>

**NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Kirtland Local School District as of and for the fiscal year ended June 30, 1999.

	<u>Food</u> <u>Service</u>	<u>Uniform</u> <u>School</u> <u>Supplies</u>	<u>Total</u> <u>Enterprise</u> <u>Funds</u>
Operating Revenues	\$ 209,484	-	\$ 209,484
Operating Expenses less			
Depreciation	227,284	-	227,284
Depreciation Expense	1,829	-	1,829
Operating Income (Loss)	(19,629)	-	(19,629)
Federally donated commodities	12,644	-	12,644
Other Nonoperating Revenues	23,968	-	23,968
Net Income (Loss)	16,913	-	16,913
Net Working Capital	55,747	\$ 2,155	57,902
Total Assets	75,761	2,155	77,916
Total Equity	53,421	2,155	55,576
Encumbrances Outstanding			
At June 30, 1999	500	-	500

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*Lake/Geauga Computer Association* - The School District is a participant in the Lake/Geauga Computer Association (LGCA). LGCA is an association of public school districts within the boundaries of Lake/Geauga and a small portion of Cuyahoga County. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of LGCA consists of the superintendent from each member school district and possess its own budgeting and taxing authority. Financial information can be obtained from Loretta Peterson, who serves as treasurer, at 8140 Auburn Street, Concord Township, Ohio 44077.

*Auburn Career Center* - The Auburn Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Auburn Career Center, Barbara Koenitzer, who serves as Treasurer, at 8140 Auburn Road, Concord Township, Ohio 44077.

**NOTE 16 - INSURANCE PURCHASING POOL**

*Ohio Schools Council* - The School District participates in the Ohio Schools Council (Council), an insurance purchasing pool. The Council's business and affairs are conducted by a seven member Board of directors consisting of the Chairman, Vice-Chairman, the Past Chairman, the Treasurer of the Greater Cleveland School Superintendent's Association, and three Directors. The Executive Director of the OSC, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Council to cover the costs of administering the program.

**NOTE 17 - CLAIMS SERVICING POOL**

The School District participates in the Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a claims servicing pool, comprised of eleven members. Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five member Board of Directors elected from the HCBP's assembly. All participating members retain their risk and the Plan acts as the claims servicing agent.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 18 - RELATED ORGANIZATION

*Kirtland Public Library* - 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 possess 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 taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of 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, Julia Brandow, Clerk/Treasurer, at 9267 Chillicothe Road, Kirtland, Ohio 44094.

NOTE 19 - SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$891,036 of school foundation support for its general fund.

Since the supreme court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined that they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws the the Common Pleas Court declared unconstitutional.

At this time, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this Program and on its financial operations.

NOTE 20 - REGIONAL TRANSPORTATION FUND

The Kirtland Local School District acts as fiscal agent for the Regional Transportation Fund which is comprised of sixteen school districts. The sixteen school districts submit the expenses incurred during the previous school year in July to the fiscal agent. These expenses are tabulated and submitted to the State Department of Education - Transportation Division. The state office processes the report and sends the state reimbursement to the fiscal agent.



**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 20 - REGIONAL TRANSPORTATION FUND (continued)

The fiscal agent distributes the State share of the transportation cost to the participating districts who have incurred the expenses for operating the system. This occurs in March. At this time, the fiscal agent also bills the participating districts for the excess cost which have not been reimbursed by the state.

When all participating districts pay to the fiscal agent their share of the excess costs, the fiscal agent reimburses the districts which still have money due. This usually occurs in April.

<u>FISCAL CYCLE</u>		
<u>Expenses Incurred</u>	<u>State Reimbursement</u>	<u>Local Reimbursement</u>
1997-1998	March, 1999	April, 1999

A full year of expenses are paid each year. The accounting of these monies is based on the above cycle. The money which is reimbursed in April is not considered for encumbrance until December of the previous year, since these funds are not due to be collected until after December and the payments are not due until all funds are deposited with the fiscal agent.

NOTE 21 - SET-ASIDE REQUIREMENTS

The District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted sources must be held in cash at year-end and carried forward to be used for the same purpose in future years. Amounts are also to be set aside if the District's base amount used for the yearly set-aside calculation increases three percent (3%) or more from the prior year. This amount is included in the budget stabilization reserve.

The following information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 21 - SET-ASIDE REQUIREMENTS (continued)**

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget reserve</u>	<u>Total</u>
Set aside balance as of June 30, 1998	--	--	\$ 50,491	\$ 50,491
Current year set-aside requirement	\$ 116,613	\$ 116,613	\$ 58,306	\$ 291,532
Qualifying expenditures	<u>\$(153,465)</u>	<u>\$(118,994)</u>	--	<u>\$(272,459)</u>
Totals	<u>\$(36,852)</u>	<u>\$(2,381)</u>	<u>\$ 108,797</u>	<u>\$ 69,564</u>
Cash balance carried forward to FY2000	<u>--</u>	<u>--</u>	<u>\$ 108,797</u>	<u>\$ 108,797</u>
Amount restricted for budget stabilization				<u>\$ 108,797</u>
Total restricted assets				<u>\$ 108,797</u>

Although the District had qualifying expenditures during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are not presented as being carried forward to the next fiscal year.

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

**NOTE 23 - COMPLIANCE AND ACCOUNTABILITY**

**Legal Compliance**

The following funds had expenditures plus encumbrances which exceeded appropriations contrary to Section 5705.41 (D) of the Ohio Revised Code:

	<u>Appropriations</u>	<u>Expenditures &amp; Encumbrances</u>	<u>Variance</u>
General Fund:			
Administration	\$ 560,672	\$ 580,701	\$(20,029)
Fiscal	\$ 249,839	\$ 250,639	\$ (800)
Pupil transportation	\$ 614,280	\$ 618,772	\$ (4,492)
Special Revenue Funds:			
Prof. Develop. Grant			
Pupil support	\$ 2,861	\$ 5,646	\$ (2,785)
Eisenhower Grant			
Pupil support	\$ 0	\$ 876	\$ (876)
Enterprise Fund:			
Food Service Fund			
Fringe benefits	\$ 33,180	\$ 34,217	\$ (1,037)
Internal ServiceFund:			
Transportation Fund			
Purchased services	\$ 175,928	\$ 244,208	\$(68,280)
Nonexpendable Trust Fund:			
Endowment Fund:			
Materials and supplies	\$ 300	\$ 807	\$ (507)

**NOTE 24 - YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

Kirtland Local School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll, and grant reporting.

The Northwest Ohio Computer Association State Software Development Team has indicated that:

"The payroll processing software supported with OCEN State Software is compliant with the Year 2000."

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1999

NOTE 24 - YEAR 2000 ISSUE (continued)

"The accounting software supported with the OCEN State Software is compliant with the Year 2000."

"The education management information system software supported with the OCEN State Software is compliant with the Year 2000."

"The equipment inventory and vehicle inventory system software supported with the OCEN State Software will be compliant with the Year 2000, beginning with the March 1999 release of SAAS V2."

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments and federal and state grants. Further, the State processes a significant amount of financial and nonfinancial information about the School District through EMIS. The State is responsible for remediating these systems, and is solely responsible for any costs associated.

The First Energy Corporation provides the electricity to the School District. First Energy is responsible for remediating this systems, and is solely responsible for any costs associated.

The Consumer's Ohio Water Services provide water services to the School District, and East Ohio Gas provide gas service. These companies are responsible for remediating these system, and are solely responsible for any costs associated.

The School District has assessed heating and air-conditioning systems, all computer equipment, fire alarm systems, voice mail, and vocational equipment. The District has remediated the voice mail system. Testing and validation has been performed. The vendors are responsible for the remediation of all other systems listed above.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be year 2000 ready, that the School District's remediation efforts will be successful in whole or part, or that parties with whom the School District does business will be year 2000 ready.

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KIRTLAND LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET  
All Fund Types and Account Groups  
June 30, 1998

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Assets	Long-term Obligations	
Equity in pooled cash and cash equivalents	\$ 657,579	175,985	167,750	120,285	49,324	258,440	91,231	-	-	1,520,574
Restricted cash and cash equivalents	50,491	-	-	-	-	-	-	-	-	50,491
Cash with fiscal agents	-	-	5,798	-	-	-	-	-	-	5,798
Receivables:										
Taxes	5,245,470	-	172,010	203,891	-	-	-	-	-	5,621,371
Accounts	1,053	-	-	42	-	-	-	-	-	1,095
Intergovernmental	676	-	-	-	1,764	2,703,381	117	-	-	2,705,821
Prepaid items	3,924	-	-	-	-	-	-	-	-	3,924
Inventory	4,247	-	-	-	6,979	-	-	-	-	11,226
Fixed assets (Net, where applicable, or accumulated depreciation)	-	-	-	-	4,171	916,566	-	20,765,579	163,472	21,686,316
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	2,795,436	163,472
Amount to be provided from general government resources	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 5,953,440	176,562	345,558	324,218	62,238	3,878,387	91,248	20,765,579	2,795,436	34,596,238

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET

All Fund Types and Account Groups - continued  
June 30, 1998

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types		Account Groups			Total
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	General	General	Long-Term Obligations	Memorandum Only	
<b>LIABILITIES</b>													
Accounts payable	\$ 1,990	479	-	-	-	2,696,017	-	-	-	-	-	2,698,486	
Accrued wages and benefits	583,908	7,317	-	-	9,737	6,885	-	-	-	-	-	607,647	
Compensated absences payable	9,170	-	-	-	8,069	11,026	-	-	-	-	713,629	741,894	
Pension obligation payable	107,147	1,150	-	-	5,503	7,939	-	-	-	-	55,297	177,036	
Due to other governments	3,892	107	-	-	336	514	-	-	-	-	19,982	24,821	
Deferred revenue	4,821,511	-	156,288	188,459	-	-	-	-	-	-	-	5,166,258	
Deposits held and due to others	-	-	-	-	-	-	26,634	-	-	-	-	26,634	
Matured bonds and interest payable	-	-	5,798	-	-	-	-	-	-	-	-	5,798	
General obligation bonds payable	-	-	-	-	-	-	-	-	-	-	2,190,000	2,190,000	
<b>Total Liabilities</b>	\$ 5,527,608	9,053	162,086	188,459	23,645	2,722,181	26,634	-	-	-	2,978,908	11,638,574	
<b>FUND EQUITY</b>													
Investment in general fixed assets	-	-	-	-	-	-	-	-	-	20,765,579	-	20,765,579	
Retained earnings:													
Reserved for contributions	-	-	-	-	-	-	64,714	-	-	-	-	64,714	
Unreserved: undesignated	-	-	-	-	38,593	1,156,206	-	-	-	-	-	1,194,799	
Fund balance:													
Reserved for encumbrances	\$ 20,847	20,872	-	48,748	-	-	-	-	-	-	-	90,467	
Reserved for inventory	4,247	-	-	-	-	-	-	-	-	-	-	4,247	
Reserved for property taxes	423,959	-	15,722	15,432	-	-	-	-	-	-	-	455,113	
Reserved for prepaid items	3,924	-	-	-	-	-	-	-	-	-	-	3,924	
Reserved for debt service	-	-	187,750	-	-	-	-	-	-	-	-	187,750	
Reserved for budget stabilization	50,491	-	-	-	-	-	-	-	-	-	-	50,491	
Unreserved: undesignated	(67,636)	146,637	-	71,579	-	-	-	-	-	-	-	150,590	
<b>Total Fund Equity</b>	435,832	167,509	183,472	135,759	38,593	1,156,206	64,714	-	-	20,765,579	-	22,947,664	
<b>Total Liabilities and Fund Equity</b>	\$ 5,963,440	176,562	345,558	324,218	62,238	3,878,387	91,348	-	-	20,765,579	2,978,908	34,586,238	

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
*All Governmental Fund Types*  
For the Year Ended June 30, 1998

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>REVENUES:</b>					
Taxes	\$ 5,410,071	-	214,718	213,413	5,838,202
Intergovernmental	1,406,410	104,258	26,967	57,727	1,595,362
Interest	69,570	-	11,766	-	81,336
Tuition and fees	48,380	23,969	-	-	72,349
Extracurricular activities	5,755	44,961	-	-	50,716
Miscellaneous	156,713	199,857	-	72	356,642
<b>Total Revenues</b>	<b>7,096,899</b>	<b>373,045</b>	<b>253,451</b>	<b>271,212</b>	<b>7,994,607</b>
<b>EXPENDITURES:</b>					
Instruction	3,810,448	65,851	-	78,817	3,955,116
Support Services:					
Pupils	379,739	32,371	-	-	412,110
Instructional staff	216,313	31,552	-	39,608	287,473
Board of education	42,684	-	-	-	42,684
Administration	566,767	1,804	-	4,530	573,101
Fiscal	239,393	-	2,252	3,615	245,260
Business	41,927	-	-	-	41,927
Operation and maintenance of plant	773,898	-	-	27,660	801,558
Pupil transportation	537,165	2,278	-	2,050	541,493
Central	22,920	6,191	-	-	29,111
Operation of non-instructional services	10,259	-	-	-	10,259
Extracurricular activities	302,921	131,149	-	4,340	438,410
Capital outlay	23,235	-	-	70,478	93,713
Debt Service:					
Principal retirement	-	-	105,000	-	105,000
Interest and fiscal charges	-	-	174,187	-	174,187
<b>Total Expenditures</b>	<b>6,967,669</b>	<b>271,196</b>	<b>281,439</b>	<b>231,098</b>	<b>7,751,402</b>
Excess of Revenues Over/(Under) Expenditures	129,230	101,849	(27,988)	40,114	243,205
<b>Other Financing Sources/(Uses):</b>					
Refund of prior year expenditures	1,330	20	-	-	1,350
Refund of prior year receipts	-	(3,234)	-	-	(3,234)
<b>Total Other Financing Sources/(Uses)</b>	<b>1,330</b>	<b>(3,214)</b>	<b>-</b>	<b>-</b>	<b>(1,884)</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	130,560	98,635	(27,988)	40,114	241,321
Fund Balance/(Deficit) - July 1	310,363	68,874	211,460	95,645	686,342
<b>Decrease in Reserved for Inventory</b>	<b>(5,091)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,091)</b>
Fund Balance/(Deficit) - June 30	<u>\$ 435,832</u>	<u>167,509</u>	<u>183,472</u>	<u>135,759</u>	<u>922,572</u>

See accompanying notes to the general purpose financial statements



**KIRTLAND LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**For the Year Ended June 30, 1998**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>						
Taxes	\$ 4,900,000	5,333,541	433,541	-	-	-
Intergovernmental	1,386,482	1,405,960	19,478	103,659	104,258	599
Tuition	7,400	7,886	486	-	-	-
Earnings on investments	90,000	69,570	(20,430)	-	-	-
Extracurricular activities	500	300	(200)	33,400	44,464	11,064
Classroom materials and fees	44,700	40,239	(4,461)	20,000	23,969	3,969
Miscellaneous	106,700	158,554	51,854	104,600	199,757	95,157
<b>Total Revenues</b>	<b>6,535,782</b>	<b>7,016,050</b>	<b>480,268</b>	<b>261,659</b>	<b>372,448</b>	<b>110,789</b>
<b>EXPENDITURES:</b>						
Instruction	3,932,501	3,780,105	152,396	76,675	60,921	15,754
Support Services:						
Pupils	394,505	383,620	10,885	36,446	30,263	6,183
Instructional support	217,362	215,244	2,118	57,950	34,960	22,990
Board of education	48,678	42,742	5,936	-	-	-
Administration	564,718	559,830	4,888	2,212	1,805	407
Fiscal	242,565	240,590	1,975	-	-	-
Business	43,084	41,927	1,157	-	-	-
Operation and maintenance of plant	794,093	784,105	9,988	-	-	-
Pupil transportation	541,146	539,490	1,656	2,278	2,278	-
Central	25,285	23,130	2,155	6,533	6,191	342
Operation of noninstructional services	12,174	11,843	331	-	-	-
Extracurricular activities	296,494	293,983	2,511	155,359	153,597	1,762
Capital outlay	31,116	27,831	3,285	-	-	-
Debt Service:						
Principal payments	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>7,143,721</b>	<b>6,944,440</b>	<b>199,281</b>	<b>337,453</b>	<b>290,015</b>	<b>47,438</b>
Excess of Revenues Over/ (Under) Expenditures	(607,939)	71,610	679,549	(75,794)	82,433	158,227
<b>Other Financing Sources/(Uses):</b>						
Transfers in	-	-	-	10,000	-	(10,000)
Refund of prior year receipts	-	-	-	(3,234)	(3,234)	-
Refund of prior year expenditures	-	1,098	1,098	-	20	20
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>1,098</b>	<b>1,098</b>	<b>6,766</b>	<b>(3,214)</b>	<b>(9,980)</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(607,939)	72,708	680,647	(69,028)	79,219	148,247
Fund Balance/(Deficit) July 1	571,278	571,281	-	56,525	56,525	-
Prior year encumbrances appropriated	41,245	41,245	-	18,871	18,871	-
Fund Balance/(Deficit) June 30	\$ 4,584	685,234	680,647	6,368	154,615	148,247

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 1998

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>						
Taxes	\$ 240,195	218,194	(22,001)	202,596	213,286	10,690
Intergovernmental	34,000	26,967	(7,033)	55,614	57,727	2,113
Tuition	-	-	-	-	-	-
Earnings on investments	12,000	11,768	(234)	-	-	-
Extracurricular activities	-	-	-	-	-	-
Classroom materials and fees	-	-	-	-	-	-
Miscellaneous	-	-	-	-	30	30
<b>Total Revenues</b>	<b>286,195</b>	<b>256,927</b>	<b>(29,268)</b>	<b>258,210</b>	<b>271,043</b>	<b>12,833</b>
<b>EXPENDITURES:</b>						
Instruction	-	-	-	94,242	88,812	5,430
Support Services:						
Pupils	-	-	-	-	-	-
Instructional support	-	-	-	46,602	44,603	1,999
Board of education	-	-	-	-	-	-
Administration	-	-	-	11,844	4,530	7,314
Fiscal	4,000	2,252	1,748	4,500	4,415	85
Business	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	41,360	27,660	13,700
Pupil transportation	-	-	-	2,110	2,050	60
Central	-	-	-	-	-	-
Operation of noninstructional services	-	-	-	-	-	-
Extracurricular activities	-	-	-	13,790	9,340	4,450
Capital outlay	-	-	-	124,405	99,023	25,382
Debt Service:						
Principal payments	105,000	105,000	-	-	-	-
Interest and fiscal charges	175,000	174,187	813	-	-	-
<b>Total Expenditures</b>	<b>284,000</b>	<b>281,439</b>	<b>2,561</b>	<b>338,853</b>	<b>280,433</b>	<b>58,420</b>
<b>Excess of Revenues Over/ (Under) Expenditures</b>	<b>2,195</b>	<b>(24,512)</b>	<b>(26,707)</b>	<b>(80,643)</b>	<b>(9,390)</b>	<b>71,253</b>
<b>Other Financing Sources/(Uses):</b>						
Transfers in	-	-	-	-	-	-
Refund of prior year receipts	-	-	-	-	-	-
Refund of prior year expenditures	-	-	-	-	-	-
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses</b>	<b>2,195</b>	<b>(24,512)</b>	<b>(26,707)</b>	<b>(80,643)</b>	<b>(9,390)</b>	<b>71,253</b>
Fund Balance/(Deficit) July 1	192,262	192,262	-	61,190	61,190	-
Prior year encumbrances appropriated	-	-	-	19,739	19,739	-
Fund Balance/(Deficit) June 30	\$ 194,457	167,750	(26,707)	286	71,539	71,253

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**For the Year Ended June 30, 1998**

	Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>REVENUES:</u></b>			
Taxes	\$ 5,342,791	5,765,021	422,230
Intergovernmental	1,579,755	1,594,912	15,157
Tuition	7,400	7,886	486
Earnings on investments	102,000	81,336	(20,664)
Extracurricular activities	33,900	44,764	10,864
Classroom materials and fees	64,700	64,208	(492)
Miscellaneous	211,300	358,341	147,041
Total Revenues	7,341,846	7,916,468	574,622
<b><u>EXPENDITURES:</u></b>			
Instruction	4,103,418	3,929,838	173,580
Support Services:			
Pupils	430,951	413,883	17,068
Instructional support	321,914	294,807	27,107
Board of education	48,678	42,742	5,936
Administration	578,774	566,165	12,609
Fiscal	251,065	247,257	3,808
Business	43,084	41,927	1,157
Operation and maintenance of plant	835,453	811,765	23,688
Pupil transportation	545,534	543,818	1,716
Central	31,818	29,321	2,497
Operation of noninstructional services	12,174	11,843	331
Extracurricular activities	465,843	456,920	8,723
Capital outlay	155,521	126,854	28,667
Debt Service:			
Principal payments	105,000	105,000	-
Interest and fiscal charges	175,000	174,187	813
Total Expenditures	8,104,027	7,796,327	307,700
Excess of Revenues Over/ (Under) Expenditures	(762,181)	120,141	882,322
<b><u>Other Financing Sources/(Uses):</u></b>			
Transfers in	10,000	-	(10,000)
Refund of prior year receipts	(3,234)	(3,234)	-
Refund of prior year expenditures	-	1,118	1,118
Total Other Financing Sources/(Uses)	6,766	(2,116)	(8,882)
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(755,415)	118,025	873,440
Fund Balance/(Deficit) July 1	881,258	881,258	-
Prior year encumbrances appropriated	79,855	79,855	-
Fund Balance/(Deficit) June 30	\$ 205,698	1,079,138	873,440

See accompanying notes to the general purpose financial statements

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**KIRTLAND LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**All Proprietary Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 1998**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>(Memorandum Only)</u>
<b><u>Operating revenues:</u></b>				
Food services	\$ 194,453	-	-	194,453
Transportation fees	-	1,852,491	-	1,852,491
Interest	-	-	3,810	3,810
Operating grants	1,764	-	-	1,764
Miscellaneous	-	5,641	25,981	31,622
<b>Total Operating Revenues</b>	<b>196,217</b>	<b>1,858,132</b>	<b>29,791</b>	<b>2,084,140</b>
<b><u>Operating expenses:</u></b>				
Salaries	67,352	1,660,500	-	1,727,852
Fringe benefits	1,790	692,611	-	694,401
Purchased services	1,799	78,387	1,400	81,586
Materials and supplies	106,127	324,599	-	430,726
Depreciation expense	1,370	149,738	-	151,108
Other expenses	-	-	866	866
<b>Total Operating Expenses</b>	<b>178,438</b>	<b>2,905,835</b>	<b>2,266</b>	<b>3,086,539</b>
<b>Operating Income/(Loss)</b>	<b>17,779</b>	<b>(1,047,703)</b>	<b>27,525</b>	<b>(1,002,399)</b>
<b><u>Nonoperating revenues/(expenses):</u></b>				
Federal donated commodities	17,789	-	-	17,789
Intergovernmental	989	1,116,005	-	1,116,994
Interest	-	19,029	-	19,029
Other non-operating revenues	-	51,639	-	51,639
<b>Total Nonoperating revenues/(expenses)</b>	<b>18,778</b>	<b>1,186,673</b>	<b>-</b>	<b>1,205,451</b>
<b>Net Income/(Loss)</b>	<b>36,557</b>	<b>138,970</b>	<b>27,525</b>	<b>203,052</b>
Retained Earnings/(Deficit) - July 1	2,036	1,017,236	37,189	1,056,461
Retained Earnings/(Deficit) - June 30	<b>\$ 38,593</b>	<b>1,156,206</b>	<b>64,714</b>	<b>1,259,513</b>

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenses, and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Proprietary Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 1998**

	Enterprise Funds			Internal Service Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>						
Earnings on investments	-	-	-	13,000	19,029	6,029
Food service	\$ 188,500	194,453	5,953	-	-	-
Transportation	-	-	-	1,900,000	1,860,796	(39,204)
Intergovernmental	19,900	21,499	1,599	1,072,000	1,116,005	44,005
Miscellaneous	-	-	-	59,700	51,639	(8,061)
<b>Total Revenues</b>	<b>208,400</b>	<b>215,952</b>	<b>7,552</b>	<b>3,044,700</b>	<b>3,047,469</b>	<b>2,769</b>
<b>EXPENSES:</b>						
Salaries	70,000	64,876	5,124	2,354,244	2,311,603	42,641
Fringe benefits	34,280	31,951	2,329	41,102	40,653	449
Purchased services	4,335	1,799	2,536	163,200	154,233	8,967
Materials and supplies	110,000	104,856	5,144	242,065	241,865	200
Capital outlay	4,200	4,200	-	386,520	316,808	69,712
Miscellaneous	-	-	-	-	-	-
<b>Total Expenses</b>	<b>222,815</b>	<b>207,682</b>	<b>15,133</b>	<b>3,187,131</b>	<b>3,065,162</b>	<b>121,969</b>
Excess of Revenues Over/(Under) Expenses	(14,415)	8,270	22,685	(142,431)	(17,693)	124,738
Fund Balance/(Deficit) July 1	40,718	40,718	-	140,514	140,514	-
Prior year encumbrances appropriated	335	335	-	31,546	31,546	-
Fund Balance/(Deficit) June 30	\$ 26,638	49,323	22,685	29,629	154,367	124,738

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
**Combined Statement of Revenues, Expenses, and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Proprietary Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 1998**

	Non-Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>						
Earnings on investments	\$ 1,850	3,810	1,960	14,850	22,839	7,989
Food service	-	-	-	188,500	194,453	5,953
Transportation	-	-	-	1,900,000	1,860,796	(39,204)
Intergovernmental	-	-	-	1,091,900	1,137,504	45,604
Miscellaneous	-	25,981	25,981	59,700	77,620	17,920
<b>Total Revenues</b>	<b>1,850</b>	<b>29,791</b>	<b>27,941</b>	<b>3,254,950</b>	<b>3,293,212</b>	<b>38,262</b>
<b>EXPENSES:</b>						
Salaries	-	-	-	2,424,244	2,376,479	47,765
Fringe benefits	-	-	-	75,382	72,604	2,778
Purchased services	1,900	1,400	500	169,435	157,432	12,003
Materials and supplies	50	-	50	352,115	346,721	5,394
Capital outlay	-	-	-	390,720	321,008	69,712
Miscellaneous	866	866	-	866	866	-
<b>Total Expenses</b>	<b>2,816</b>	<b>2,266</b>	<b>550</b>	<b>3,412,762</b>	<b>3,275,110</b>	<b>137,652</b>
<b>Excess of Revenues Over/(Under) Expenses</b>	<b>(966)</b>	<b>27,525</b>	<b>28,491</b>	<b>(157,812)</b>	<b>18,102</b>	<b>175,914</b>
Fund Balance/(Deficit) July 1	37,189	37,189	-	218,421	218,421	-
Prior year encumbrances appropriated	-	-	-	31,881	31,881	-
Fund Balance/(Deficit) June 30	<u>\$ 36,223</u>	<u>64,714</u>	<u>28,491</u>	<u>92,490</u>	<u>268,404</u>	<u>175,914</u>

See accompanying notes to the general purpose financial statements

**KIRTLAND LOCAL SCHOOL DISTRICT**  
**COMBINED STATEMENT OF CHANGES IN CASH FLOWS**  
**All Proprietary Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 1998**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	<u>Total (Memorandum Only)</u>
<b>Cash flows from operating activities:</b>				
Net operating income/(loss)	\$ 17,779	(1,047,703)	27,525	(1,002,399)
Adjustments to reconcile net income/ (loss) to net cash provided/(used) by operating activities:				
Commodities expense related to noncash grant	17,789	-	-	17,789
Depreciation	1,370	149,738	-	151,108
(Increase)/decrease in assets:				
Due from other governments	958	2,665	-	3,623
Inventories	1,271	-	-	1,271
Increase/(decrease) in liabilities:				
Accounts payable	-	(9,489)	-	(9,489)
Accrued wages and benefits	2,476	(2,572)	-	(96)
Compensated absences payable	(31,035)	(12,984)	-	(44,019)
Pension obligation payable	873	(894)	-	(21)
Due to other governments	1	(32)	-	(31)
Net cash provided/(used) for operating activities	\$ 11,482	(921,271)	27,525	(882,264)
<b>Cash flows from noncapital financing activities:</b>				
Intergovernmental	\$ 989	1,116,005	-	1,116,994
Other revenues	-	51,639	-	51,639
Net cash provided/(used) for noncapital financing activities	\$ 989	1,167,644	-	1,168,633
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(4,200)	(179,022)	-	(183,222)
Net cash provided/(used) for capital and related financing activities	(4,200)	(179,022)	-	(183,222)
<b>Cash flows from investing activities:</b>				
Interest	-	19,029	-	19,029
Net cash provided/(used) for investing activities	-	19,029	-	19,029
Net increase/(decrease) in cash and cash equivalents	\$ 8,271	86,380	27,525	122,176
Cash and cash equivalents, 7/1/97	41,053	172,060	37,189	250,302
Cash and cash equivalents, 6/30/98	\$ 49,324	258,440	64,714	372,478

See accompanying notes to the general purpose financial statements



**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

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/or federal guidelines.

The School District was established 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. The School District is ranked 527th (among 611 school districts) in the State of Ohio in terms of enrollment. It is staffed by 581 non-certificated employees and 76 certificated full-time teaching personnel who provide services to 900 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, a maintenance garage and bus garage.

*Reporting Entity:*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the 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.

Based on the above description, there are no component units within the School District.

The School District is associated with two organizations which are defined as jointly governed organizations, an insurance purchasing pool, a claims servicing pool, and a related organization. These organizations are the Auburn Career Center, Lake/Gauga Computer Association, the Ohio Schools' Council Workers' Compensation Group Rating Consortium, the Lake County Council of Governments Health Care Benefits Program, and the Kirtland Public Library, which are presented in Notes 15, 16, 17 and 18 to the general purpose financial statements.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (continued)

The following activities are not included within the reporting entity:

Parochial Schools - Within the School District boundaries, the Willo-Hill Christian School is operated by a religious organization. The School has refused state funding, therefore, is excluded from Kirtland Local School District fund activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kirtland Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available financial expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds or trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

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

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

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District, except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxes, interest, tuition, grants, and student fees.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1998, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable, and the expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

C. Budgetary Process

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

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. *The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.*

By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1998.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non - GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

*Lapsing of Appropriations:*

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

D. 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.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1998, investments were limited to STAR Ohio (State Treasurer's Investment Pool) and a sweep account. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. At year end, the District had no investments of this type.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1998. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1998.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund is \$69,570, to the debt service fund is \$11,766, and to the internal service fund is \$19,029, during fiscal year 1998.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents (continued)

The School District has a segregated bank account for monies held separate from the School District's central bank account. This interest bearing depository account is presented on the combined balance sheet as "cash with fiscal agents" since it is not required to be deposited into an account separate from the School District treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$50,491 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "other revenue" in the accompanying financial statements.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1998, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.



**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds and buses in the internal service fund are computed using the straight-line method over the following estimated useful lives.

<u>Asset</u>	<u>Life (Years)</u>
Office equipment/copiers	6
Kitchen equipment/miscellaneous Furniture/fixtures/computers	7
Buses	10
Improvements	15

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available resources, since they are not a component of net current assets. At year end, the School District had no interfund assets/liabilities.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, worker's compensation, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year end are generally considered not to have been paid with current available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

N. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, prepaid items and budget stabilization reserve for workers compensation refund. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 1998, the School District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value.

The implementation of GASB Statement No. 31 had no effect on fund balance/retained earnings as all investments the District had at year-end was STAROhio, of which the book value is equal to the fair value of the investment.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Proprietary Fund Types and Similar Trust Funds are 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:

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)**

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES  
OVER/(UNDER) EXPENDITURES AND OTHER FINANCING USES -  
All Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 130,560	\$ 98,635	\$ (27,988)	\$ 40,114
Revenue Accruals	(75,220)	(597)	68,921	4,811
Expenditure Accruals	39,938	2,531	(65,445)	(5,567)
Prepaid Items	266	-	-	-
Advances	-	-	-	-
Encumbrances	(22,836)	(21,350)	-	(48,748)
Budget Basis	<u>\$ 72,708</u>	<u>\$ 79,219</u>	<u>\$ (24,512)</u>	<u>\$ (9,390)</u>

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)**

Net Income/Excess of Revenues Over/(Under) Expenses  
- All Proprietary Fund Types and  
Similar Trust Funds

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	\$ 36,557	\$ 138,970	\$ 27,525
Revenue Accruals	(1,764)	2,665	-
Expense Accruals	(33,134)	(25,972)	-
Inventory Held for Resale	1,271	-	-
Capital Outlay	4,200	(179,022)	-
Depreciation Expense	1,370	149,738	-
Encumbrances	(230)	(104,072)	-
Budget Basis	<u>\$ 8,270</u>	<u>\$ (17,693)</u>	<u>\$ 27,525</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

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 within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not 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.

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

*Cash on Hand:* During fiscal year 1998, the School District's investments were limited to STAR Ohio and a sweep account. During the fiscal year, all investments of the School District had a maturity of two years or less. At fiscal year end, the School District had \$135 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 5 - DEPOSITS AND INVESTMENTS (continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits (excluding change funds of \$135) was \$74,040 and the bank balance was \$103,743. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,743 was collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is unclassified investment since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Market Value
STAR Ohio	<u>\$1,497,116</u>	<u>\$1,497,116</u>
Total investments	<u>\$1,497,116</u>	<u>\$1,497,116</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$ 1,576,863	-
Cash on Hand	(135)	-
Investments:		
STAR Ohio	<u>(1,497,116)</u>	<u>\$ 1,497,116</u>
GASB Statement 3	<u>\$ 79,612</u>	<u>\$ 1,497,116</u>

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of the true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate applied to real property for the fiscal year ended June 30, 1998 was \$66.19 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$28.53 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$32.16 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

The rate applied to tangible personal property for the fiscal year ended June 30, 1998 was \$66.19 per \$1,000 of assessed valuation.

The School District receives property taxes from both 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 Counties by June 30, 1998, are available to finance fiscal year 1998 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1998, was \$423,959 in the General Fund, \$15,722 in the Debt Service Fund, and \$15,432 in the Capital Projects Fund.



**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 6 - PROPERTY TAXES (continued)**

The assessed values upon which fiscal year 1998 taxes were collected are:

<b>GEAUGA COUNTY:</b>	<u>1997</u>	<u>1996</u>
Real Property -		
Residential/Agricultural	\$ 1,219,780	\$ 1,152,480
Tangible Personal Property -		
Personal	3,630	2,830
Public Utilities	<u>144,780</u>	<u>144,170</u>
Total Valuation	<u>\$ 1,368,190</u>	<u>\$ 1,299,480</u>
<b>LAKE COUNTY:</b>	<u>1997</u>	<u>1996</u>
Real Property	\$167,672,810	\$166,219,550
Tangible Personal Property -		
Personal	1,952,233	1,745,972
Public Utilities	11,868,960	11,832,040
\$10,000 Exempt	<u>877,258</u>	<u>903,151</u>
Total Valuation	<u>\$182,371,261</u>	<u>\$180,700,713</u>

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1998, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), 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.

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
School reimbursement	\$ 676
Enterprise Funds:	
National School Lunch Program	\$ 1,764
Internal Service Funds:	
Regional Transportation	<u>\$ 2,703,381</u>
Total Intergovernmental Receivables	<u>\$ 2,705,821</u>

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 8 - FIXED ASSETS**

A summary of the Proprietary Funds' fixed assets at June 30, 1998 follows:

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Buses	-	\$ 2,060,105
Furniture and Equipment	\$ 80,829	-
Less Accumulated Depreciation	<u>(76,658)</u>	<u>(1,143,539)</u>
Net Fixed Assets	<u>\$ 4,171</u>	<u>\$ 916,566</u>

A summary of the changes in general fixed assets during fiscal year 1998 follows:

Asset Category	Balance at <u>6/30/97</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/98</u>
Land and Improvements	\$ 538,700	\$ 25,000	-	\$ 563,700
Buildings and Improvements	17,334,629	-	-	17,334,629
Furniture, Fixtures and Equipment				
Vehicles	<u>2,693,270</u>	<u>228,746</u>	<u>\$ 54,766</u>	<u>2,867,250</u>
Total General Fixed Assets	<u>\$20,566,599</u>	<u>\$ 253,746</u>	<u>\$ 54,766</u>	<u>\$20,765,579</u>

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 1998, the District has entered into contracts with various insurance agencies for various insurance.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 9 - RISK MANAGEMENT** (continued)

The following is a list of all insurance coverage of the District and the deductibles associated with each:

<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Blanket Building and Contents	\$ 16,772,161	-
Extra Expense Coverage	1,000,000	-
Valuable Papers	25,000	-
Money and Securities	5,000	250
Boiler/Machinery - Blanket	30,000,000	1,000
Consequential Loss	50,000	500
Expediting Expenses/Hazardous Substance/Ammonia Contamination/ Water Damage	100,000	-
Off Premises Service Interruption	500,000	12 hour
Ordinance or Law	1,000,000	-
Business Interruption & Extra Expense Liability	Actual Loss	-
Business Auto - Liability	5,000,000	-
Uninsured Motorists - Comprehensive	5,000,000	50
Medical	2,000,000	250
Collision/Liability/Bodily Injury/Medical	5,000	-
Inland Marine	-	-
Instruments	57,215	-
Contractor's Equipment	9,200/1,500	-
Transit	60,000	-

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the School District did not significantly reduce their limits of liability during the year.

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

For fiscal year 1998, the School District participated in the Ohio Schools Council, an insurance purchasing pool (Note 16). The intent of the Council 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 Council. 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 Council. Each participant pays its workers' compensation premium to the State based on the rate for the Council rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Council. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Council. Participation in the Council is limited to school districts that can meet the Council's selection criteria. The firm of Acordia Workers' Compensation Services provides administrative, cost control and actuarial services to the Council.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 9 - RISK MANAGEMENT** (continued)

The District has elected to provide medical coverage through a self-insurance program. The District uses the General Fund to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110% of expected claims. The claims liability of \$0 at June 30, 1998 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1997 and 1998 were:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
1997	\$0	\$ 468,934	\$ 468,934	\$0
1998	\$0	\$ 507,498	\$ 507,498	\$0

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Kirtland Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998, 9.79 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$167,334, \$159,078, and \$156,569, respectively; 67.0 percent has been contributed for fiscal year 1998 and 100 percent for fiscal year 1997 and 1996. \$55,297 (not included in the 1998 contributions above) represents the unpaid contribution for fiscal year 1998 and is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

The Kirtland Local School District participates to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent, 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$516,420, \$506,388, and \$484,203, respectively, 76.4 percent has been contributed for fiscal year 1998 and 100 percent for fiscal year 1997 and 1996. \$121,739 (not included in the 1998 contributions above) represents the unpaid contributions for fiscal year 1998 and is recorded as a liability within the respective funds.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$129,105 during fiscal 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. For the year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000 and STRS had 88,718 eligible benefit recipients.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1997 were \$97,429,197 and the target level was \$121.8 million. At June 30, 1997, SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$50,320 during the 1998 fiscal year.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 25 days. Employees with less than one year of service earn a pro-rata vacation rate per month worked, not to exceed five days. The vacation leave liability is \$9,170 in the General Fund, and \$2,598 in the Internal Service Fund and \$26,571 in the General Long-Term Debt Account Group.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro-rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 25% of the accumulated sick leave benefits at June 30, 1998 up to a maximum of 50 days. The sick leave liability is \$8,069 in the Enterprise Fund, \$8,428 in the Internal Service Fund and \$696,228 in the General Long-Term Debt Account Group.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees from Hartford Life Insurance through the Ohio Schools Council.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 13 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1998 were as follows:

	<u>Principal Outstanding 6/30/97</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/98</u>
School Improvement				
1989 8.431%	\$ 2,295,000	---	\$ (105,000)	\$ 2,190,000
Total Long-Term Bonds	2,295,000	---	(105,000)	2,190,000
Pension Obligation	59,180	\$ 55,297	(59,180)	55,297
Worker's Compensation	20,847	19,982	(20,847)	19,982
Compensated Absences	<u>554,505</u>	<u>168,294</u>	<u>---</u>	<u>722,799</u>
Total General Long Term Obligations	<u>\$ 2,929,532</u>	<u>\$ 243,573</u>	<u>\$ (185,027)</u>	<u>\$ 2,988,078</u>

Compensated absences, workers' compensation and the pension obligation will be paid from the fund from which the employees' salaries are paid. The current year activity for compensated absences is netted for practical purposes.

The School District's voted legal debt margin was \$16,274,856 with an unvoted debt margin of \$205,165 at June 30, 1998.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1998 are as follows.

<u>Fiscal Year June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
1999	\$ 115,000	\$ 163,324	\$ 278,324
2000	125,000	151,475	276,475
2001	135,000	140,409	275,409
2002	145,000	130,223	275,223
2003	160,000	119,090	279,090
2004-2008	1,000,000	390,001	1,390,001
2009-2010	<u>510,000</u>	<u>39,001</u>	<u>549,001</u>
Totals	<u>\$ 2,190,000</u>	<u>\$1,133,523</u>	<u>\$ 3,323,523</u>

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Kirtland Local School District as of and for the fiscal year ended June 30, 1998.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 196,217	-	\$ 196,217
Operating Expenses less			
Depreciation	177,068	-	177,068
Depreciation Expense	1,370	-	1,370
Operating Income (Loss)	17,779	-	17,779
Donated Commodities	17,789	-	17,789
Net Income (Loss)	36,557	-	36,557
Net Working Capital	45,839	\$ 2,155	47,994
Total Assets	60,083	2,155	62,238
Total Equity	36,438	2,155	38,593
Encumbrances Outstanding			
At June 30, 1998	230	-	230

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*Lake/Geauga Computer Association* - The School District is a participant in the Lake/Geauga Computer Association (LGCA). LGCA is an association of public school districts within the boundaries of Lake/Geauga and a small portion of Cuyahoga County. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of LGCA consists of the superintendent from each member school district and possess its own budgeting and taxing authority. Financial information can be obtained from Loretta Peterson, who serves as treasurer, at 8140 Auburn Street, Concord Township, Ohio 44077.

*Auburn Career Center* - The Auburn Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Auburn Career Center, Barbara Koenitzer, who serves as Treasurer, at 8140 Auburn Road, Concord Township, Ohio 44077.



**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

**NOTE 16 - INSURANCE PURCHASING POOL**

*Ohio Schools Council* - The School District participates in the Ohio Schools Council (Council), an insurance purchasing pool. The Council's business and affairs are conducted by a seven member Board of directors consisting of the Chairman, Vice-Chairman, the Past Chairman, the Treasurer of the Greater Cleveland School Superintendent's Association, and three Directors. The Executive Director of the OSC, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Council to cover the costs of administering the program.

**NOTE 17 - CLAIMS SERVICING POOL**

The School District participates in the Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a claims servicing pool, comprised of eleven members. Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five member Board of Directors elected from the HCBP's assembly. All participating members retain their risk and the Plan acts as the claims servicing agent.

**NOTE 18 - RELATED ORGANIZATION**

*Kirtland Public Library* - 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 possess 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 taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of 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, Julia Brandow, Clerk/Treasurer, at 9267 Chillicothe Road, Kirtland, Ohio 44094.

**NOTE 19 - SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1998, the District received \$784,499 of school foundation support for its general fund.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 19 - SCHOOL FUNDING DECISION (continued)

Since the supreme court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined that they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws the the Common Pleas Court declared unconstitutional.

At this time, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this Program and on its financial operations.

NOTE 20 - REGIONAL TRANSPORTATION FUND

The Kirtland Local School District acts as fiscal agent for the Regional Transportation Fund which is comprised of sixteen school districts. The sixteen school districts submit the expenses incurred during the previous school year in July to the fiscal agent. These expenses are tabulated and submitted to the State Department of Education - Transportation Division. The state office processes the report and sends the state reimbursement to the fiscal agent.

The fiscal agent distributes the State share of the transportation cost to the participating districts who have incurred the expenses for operating the system. This occurs in March. At this time, the fiscal agent also bills the participating districts for the excess cost which have not been reimbursed by the state.

When all participating districts pay to the fiscal agent their share of the excess costs, the fiscal agent reimburses the districts which still have money due. This usually occurs in April.

<u>FISCAL CYCLE</u>		
<u>Expenses Incurred</u>	<u>State Reimbursement</u>	<u>Local Reimbursement</u>
1996-1997	March, 1998	April, 1998

A full year of expenses are paid each year. The accounting of these monies is based on the above cycle. The money which is reimbursed in April is not considered for encumbrance until December of the previous year, since these funds are not due to be collected until after December and the payments are not due until all funds are deposited with the fiscal agent.

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1998.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 22 - COMPLIANCE AND ACCOUNTABILITY

Legal Compliance

The following fund had expenditures plus encumbrances which exceeded appropriations: Capital Projects - Permanent Improvement Fund by \$65. This is contrary to Section 5705.41 (D) of the Ohio Revised Code.

The following fund had appropriations which exceeded estimated resources plus carryover balances: Special Revenue - Public School Support Fund by \$5,059. This is contrary to Section 5705.39 of the Ohio Revised Code.

NOTE 23 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

Kirtland Local School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll, and grant reporting.

The Northwest Ohio Computer Association State Software Development Team has indicated that:

"The payroll processing software supported with OCEN State Software is compliant with the Year 2000."

**KIRTLAND LOCAL SCHOOL DISTRICT**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 1998

NOTE 23 - YEAR 2000 ISSUE (continued)

"The accounting software supported with the OCEN State Software is compliant with the Year 2000."

"The education management information system software supported with the OCEN State Software is compliant with the Year 2000."

"The equipment inventory and vehicle inventory system software supported with the OCEN State Software will be compliant with the Year 2000, beginning with the March 1999 release of SAAS V2."

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments and federal and state grants. Further, the State processes a significant amount of financial and nonfinancial information about the School District through EMIS. The State is responsible for remediating these systems, and is solely responsible for any costs associated.

The First Energy Corporation provides the electricity to the School District. First Energy is responsible for remediating this systems, and is solely responsible for any costs associated.

The Consumer's Ohio Water Services provide water services to the School District, and East Ohio Gas provide gas service. These companies are responsible for remediating these system, and are solely responsible for any costs associated.

The School District has assessed heating and air-conditioning systems, all computer equipment, fire alarm systems, voice mail, and vocational equipment. The District has remediated the voice mail system. Testing and validation has been performed. The vendors are responsible for the remediation of all other systems listed above.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be year 2000 ready, that the School District's remediation efforts will be successful in whole or part, or that parties with whom the School District does business will be year 2000 ready.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED  
BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Kirtland Local School District, Lake County, Ohio (the District), as of and for the years ended June 30, 1999 and June 30, 1998, and have issued our report thereon dated December 21, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of non-compliance that we have reported to management of the District in a separate letter dated December 21, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 21, 1999.

This report is intended for the information and use of management, the Audit Committee and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO  
Auditor of State

December 21, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY

**CLERK'S CERTIFICATION**

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

By: *Susan Babbitt*

Date: JAN 11 2000