



Dave Yost • Auditor of State



**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	18
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	19
Notes to the Basic Financial Statements .....	21
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability – SERS – Last Two Fiscal Years .....	52
Schedule of the School District's Proportionate Share of the Net Pension Liability – STRS – Last Two Fiscal Years .....	53
Schedule of School District Contributions – SERS – Last Ten Fiscal Years.....	54
Schedule of School District Contributions – STRS – Last Ten Fiscal Years.....	56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	59

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of the Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801  
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 31, 2016

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

---

The discussion and analysis of the Kirtland Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- The School District is committed to meeting the academic needs of our students by providing them with updated instructional materials to compete in a global environment. During fiscal year 2015, the School District continued to provide professional development for staff members as more technology is introduced into the curriculum and classrooms.
- General revenues accounted for the majority of all revenues, with tax revenues representing the largest share of those revenues. Specific program revenues in the form of charges for services, operating grants, and contributions accounted for the remainder of all revenues.
- During fiscal year 2015, the School District was awarded \$1,745,700 in straight A grant monies for renovations to the high school media center and technology improvements throughout the School District.

**Using this Annual Financial Report**

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

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

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

---

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

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

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during fiscal year 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting, used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement debt service fund.

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

**Fiduciary Fund** The School District has only one type of fiduciary fund, an agency fund. The agency fund is used to account for resources held for the benefit of parties outside the School District. The agency fund is not reflected on the government-wide statements because the resources from that fund are not available to support the School District's programs. This fund uses the accrual basis of accounting.

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

**The School District as a Whole**

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for 2015 compared to 2014.

Table 1  
Net Position

	Governmental Activities		
	2015	2014	Change
<b>Assets</b>			
Current and Other Assets	\$21,128,983	\$20,737,378	\$391,605
Capital Assets, Net	17,628,464	17,574,617	53,847
<b>Total Assets</b>	<b>38,757,447</b>	<b>38,311,995</b>	<b>445,452</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding Pension	981,644	1,106,300	(124,656)
	1,241,929	1,026,805	215,124
<i>Total Deferred Outflows of Resources</i>	<i>2,223,573</i>	<i>2,133,105</i>	<i>90,468</i>
<b>Liabilities</b>			
Current Liabilities	1,974,735	1,957,787	(16,948)
Long-Term Liabilities:			
Due Within One Year	704,975	743,499	38,524
Due in More than One Year:			
Net Pension Liability	17,927,288	21,301,975	3,374,687
Other Amounts Due in More Than One Year	14,940,596	15,417,723	477,127
<b>Total Liabilities</b>	<b>35,547,594</b>	<b>39,420,984</b>	<b>3,873,390</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	10,945,211	11,432,782	487,571
Pension	3,242,404	0	(3,242,404)
<i>Total Deferred Inflows of Resources</i>	<i>14,187,615</i>	<i>11,432,782</i>	<i>(2,754,833)</i>
<b>Net Position</b>			
Net Investment in Capital Assets	3,929,408	3,706,787	222,621
Restricted For:			
Debt Service	481,322	428,031	53,291
Capital Projects	270,128	365,062	(94,934)
Other Purposes	1,021,403	211,121	810,282
Unrestricted (Deficit)	(14,456,450)	(15,119,667)	663,217
<b>Total Net Position</b>	<b>(\$8,754,189)</b>	<b>(\$10,408,666)</b>	<b>\$1,654,477</b>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed that follow, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

---

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$9,866,504 to (\$10,408,666).

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

Table 2 shows the changes in net position for fiscal years 2015 compared to 2014.

Table 2  
 Changes in Position  
 Governmental Activities

	2015	2014	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$721,242	\$576,665	\$144,577
Operating Grants and Contributions	2,345,407	646,239	1,699,168
<i>Total Program Revenues</i>	<u>3,066,649</u>	<u>1,222,904</u>	<u>1,843,745</u>
General Revenues:			
Property Taxes	12,856,065	12,894,494	(38,429)
Grant and Entitlements	2,717,612	2,602,645	114,967
Unrestricted Contributions and Donations	36,587	14,191	22,396
Investment Earnings	66,044	23,628	42,416
Miscellaneous	101,380	127,483	(26,103)
<i>Total General Revenues</i>	<u>15,777,688</u>	<u>15,662,441</u>	<u>115,247</u>
<i>Total Revenues</i>	<u>18,844,337</u>	<u>16,885,345</u>	<u>1,958,992</u>
<b>Program Expenses</b>			
Instruction	9,377,243	8,368,462	(1,008,781)
Support Services:			
Pupil	1,098,570	1,040,830	(57,740)
Instructional Staff	475,776	427,999	(47,777)
Board of Education	212,225	206,824	(5,401)
Administration	1,113,190	991,352	(121,838)
Fiscal	453,492	509,487	55,995
Business	15,622	18,177	2,555
Operation and Maintenance of Plant	1,416,043	1,381,817	(34,226)
Pupil Transportation	1,204,245	1,175,080	(29,165)
Central	154,261	77,832	(76,429)
Operation of Non-Instructional Services:			
Food Service Operations	321,231	220,923	(100,308)
Other Non-Instructional Services	0	153,371	153,371
Extracurricular Activities	807,561	757,539	(50,022)
Interest and Fiscal Charges	540,401	670,821	130,420
<i>Total Program Expenses</i>	<u>17,189,860</u>	<u>16,000,514</u>	<u>(1,189,346)</u>
<i>Change in Net Position</i>	1,654,477	884,831	769,646
<i>Net Position Beginning of Year</i>	<u>(10,408,666)</u>	N/A	
<i>Net Position End of Year</i>	<u>(\$8,754,189)</u>	<u>(\$10,408,666)</u>	<u>\$1,654,477</u>

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,026,805 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$725,581. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$17,189,860
Pension expense under GASB 68	(725,581)
2015 contractually required contribution	<u>1,072,988</u>
Adjusted 2015 program expenses	17,537,267
Total 2014 program expenses under GASB 27	<u>(16,000,514)</u>
Increase in program expenses no related to pension	<u><u>\$1,536,753</u></u>

***Governmental Activities***

Several revenue sources primarily fund the School District's governmental activities. Property tax revenues brought the largest portion of general revenues having generated \$12,856,065 in fiscal year 2015. Grants and entitlements portion of the general revenues is the second largest source of revenues for the School District and includes monies received from the Ohio Department of Education, the State Foundation Program and property tax relief such as homestead exemptions and rollbacks provided by House Bill 920. Operating grants and contributions increased significantly as the School District was awarded \$1,745,700 from the Straight A grant program. The School District is using this money for renovations to their high school media center and technology improvements. The combination of taxes and intergovernmental funding along with substantial beginning net position have provided for coverage of all expenses in governmental activities in past years.

Instruction expenses are the largest expense of the School District, comprising of 54.55 percent of total expenses. Operation and maintenance of plant expenses are those expenses concerned with keeping the physical plant open, comfortable and safe for use and keeping the grounds, buildings and equipment in an effective working condition and state of repair. These expenses make up 8.24 percent of expenses for fiscal year 2015.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2015 and 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

Table 3  
Governmental Activities

	2015		2014	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
Instruction	\$9,377,243	(\$7,034,907)	\$8,368,462	(\$7,854,667)
Support Services:				
Pupil	1,098,570	(1,067,802)	1,040,830	(1,036,830)
Instructional Staff	475,776	(475,776)	427,999	(427,999)
Board of Education	212,225	(212,225)	206,824	(206,824)
Administration	1,113,190	(1,113,190)	991,352	(991,352)
Fiscal	453,492	(453,492)	509,487	(509,487)
Business	15,622	(15,622)	18,177	(18,177)
Operation and Maintenance of Plant	1,416,043	(1,400,145)	1,381,817	(1,363,789)
Pupil Transportation	1,204,245	(1,204,245)	1,175,080	(1,175,080)
Central	154,261	(148,861)	77,832	(62,939)
Operation of Non-Instructional Services:				
Food Service Operations	321,231	(96,578)	220,923	(39,308)
Other Non-Instructional Services	0	0	153,371	(57,821)
Extracurricular Activities	807,561	(359,967)	757,539	(362,516)
Interest and Fiscal Charges	540,401	(540,401)	670,821	(670,821)
Total Expenses	<u>\$17,189,860</u>	<u>(\$14,123,211)</u>	<u>\$16,000,514</u>	<u>(\$14,777,610)</u>

The dependence upon general revenues for governmental activities is apparent. 74.79 percent of total expenses are supported through taxes. Program revenues support 17.84 percent of expenses. Grants and entitlements not restricted to specific programs, investments, and other miscellaneous type revenues support the remaining expenses.

**The School District's Funds**

Information regarding the School District's major funds starts on page 14. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund and the bond retirement debt service fund. All governmental funds had total revenues of \$18,088,776 and expenditures of \$17,961,894.

The general fund had an increase in fund balance of \$206,784 for fiscal year 2015, due to an increase in property tax revenues as well as prudent spending by the School District. The bond retirement debt service fund had an increase in fund balance of \$63,941 due to reduced debt payments.

**General Fund Budgeting Highlights**

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

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

During the course of fiscal year 2015, the School District amended its general fund budget a number of times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the final budgeted revenue was \$365,237 under actual revenues. Final budgeted expenditures were \$15,030,649, while actual expenditures were \$14,729,643. Final budget expenditures were \$1,073,377 more than the original budgeted expenditures. The School District monitors the budget on a monthly basis to keep it in line with current expenditures.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 details fiscal year 2015 balances compared to the prior fiscal year. More detailed information is presented in Note 11.

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

	Governmental Activities	
	2015	2014
Land	\$813,790	\$813,790
Construction in Progress	108,331	0
Land Improvements	1,381,913	1,110,703
Buildings and Improvements	14,749,609	15,061,545
Furniture and Equipment	172,537	111,473
Vehicles	402,284	477,106
Total	\$17,628,464	\$17,574,617

**Debt**

At June 30, 2015, the School District had \$14,744,734 in bonds outstanding with \$600,728 due within one year. Table 5 summarizes general obligation bonds outstanding for governmental activities for fiscal years 2015 and 2014.

Table 5  
 Outstanding Debt at June 30

	2015	2014
2006 School Improvement Bonds	\$3,825,000	\$4,260,000
2007 School Improvement Bonds	1,370,728	1,428,699
2012 School Improvement Refunding Bonds	9,549,006	9,692,770
Total Debt	\$14,744,734	\$15,381,469

More information regarding long-term debt obligations of the School District is presented in Note 15.

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

---

**Current Issues**

The School District is always presented with challenges and opportunities. Economic conditions as of yet have not had a material impact on the School District's tax revenue, as residential property taxable value comprises 90.85 percent of total taxable value. The residents approved a 6.72 mill, 5-year emergency levy placed on the November 6, 2012 ballot. The residents also approved 5.12 mill, ten year and 4.61 mill, 5-year operating levies on ballots on May 7, 2013 and May 6, 2014, respectively. The School District's management continues to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

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

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

**Kirtland Local School District**

*Statement of Net Position*

*June 30, 2015*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,575,976
Accounts Receivable	58,714
Intergovernmental Receivable	1,057,991
Property Taxes Receivable	12,436,302
Nondepreciable Capital Assets	922,121
Depreciable Capital Assets, Net	16,706,343
<i>Total Assets</i>	<u>38,757,447</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding Pension	981,644
	1,241,929
<i>Total Deferred Outflows of Resources</i>	<u>2,223,573</u>
<b>Liabilities</b>	
Accounts Payable	56,729
Accrued Wages and Benefits	1,408,736
Intergovernmental Payable	335,470
Accrued Interest Payable	40,525
Accrued Vacation Leave Payable	80,775
Unearned Revenue	52,500
Long-Term Liabilities:	
Due Within One Year	704,975
Due In More Than One Year:	
Net Pension Liability (See Note 22)	17,927,288
Other Amounts Due in More Than One Year	14,940,596
<i>Total Liabilities</i>	<u>35,547,594</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	10,945,211
Pension	3,242,404
<i>Total Deferred Inflows of Resources</i>	<u>14,187,615</u>
<b>Net Position</b>	
Net Investment in Capital Assets	3,929,408
Restricted for:	
Debt Service	481,322
Capital Projects	270,128
Technology	881,909
Other Purposes	139,494
Unrestricted (Deficit)	(14,456,450)
<i>Total Net Position</i>	<u><u>(\$8,754,189)</u></u>

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues		Net (Expense)
	Expenses	Charges for Services	Revenue and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>			
Instruction:			
Regular	\$7,641,947	\$231,310	\$1,785,277
Special	1,551,617	0	324,707
Vocational	134,329	0	1,042
Student Intervention Services	49,350	0	0
Support Services:			
Pupil	1,098,570	0	30,768
Instructional Staff	475,776	0	0
Board of Education	212,225	0	0
Administration	1,113,190	0	0
Fiscal	453,492	0	0
Business	15,622	0	0
Operation and Maintenance of Plant	1,416,043	15,898	0
Pupil Transportation	1,204,245	0	0
Central	154,261	0	5,400
Food Service Operations	321,231	107,126	117,527
Extracurricular Activities	807,561	366,908	80,686
Interest and Fiscal Charges	540,401	0	0
<b>Totals</b>	<b>\$17,189,860</b>	<b>\$721,242</b>	<b>\$2,345,407</b>
			<b>(14,123,211)</b>
<b>General Revenues</b>			
Property Taxes Levied for:			
			11,661,797
			969,940
			224,328
Grants and Entitlements not Restricted to Specific Programs			
			2,717,612
Unrestricted Contributions and Donations			
			36,587
Investment Earnings			
			66,044
Miscellaneous			
			101,380
			<b>15,777,688</b>
			Change in Net Position
			1,654,477
			Net Position Beginning of Year -
			Restated (Note 3)
			(10,408,666)
			Net Position End of Year
			(\$8,754,189)

See accompanying notes to the basic financial statements

**Kirtland Local School District***Balance Sheet  
Governmental Funds  
June 30, 2015*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$6,708,528	\$416,347	\$451,101	\$7,575,976
Accounts Receivable	57,714	0	1,000	58,714
Intergovernmental Receivable	19,480	0	1,038,511	1,057,991
Interfund Receivable	129,101	0	0	129,101
Property Taxes Receivable	11,282,602	934,437	219,263	12,436,302
<i>Total Assets</i>	<u>\$18,197,425</u>	<u>\$1,350,784</u>	<u>\$1,709,875</u>	<u>\$21,258,084</u>
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$53,926	\$0	\$2,803	\$56,729
Accrued Wages and Benefits	1,387,190	0	21,546	1,408,736
Interfund Payable	0	0	129,101	129,101
Intergovernmental Payable	328,923	0	6,547	335,470
Unearned Revenue	52,500	0	0	52,500
<i>Total Liabilities</i>	<u>1,822,539</u>	<u>0</u>	<u>159,997</u>	<u>1,982,536</u>
 <b>Deferred Inflows of Resources</b>				
Property Taxes	9,922,387	828,937	193,887	10,945,211
Unavailable Revenue	183,457	16,153	1,003,257	1,202,867
<i>Total Deferred Inflows of Resources</i>	<u>10,105,844</u>	<u>845,090</u>	<u>1,197,144</u>	<u>12,148,078</u>
 <b>Fund Balances</b>				
Restricted	0	505,694	429,751	935,445
Committed	0	0	79,610	79,610
Assigned	1,030,080	0	0	1,030,080
Unassigned (Deficit)	5,238,962	0	(156,627)	5,082,335
<i>Total Fund Balances</i>	<u>6,269,042</u>	<u>505,694</u>	<u>352,734</u>	<u>7,127,470</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$18,197,425</u>	<u>\$1,350,784</u>	<u>\$1,709,875</u>	<u>\$21,258,084</u>

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2015*

<b>Total Governmental Fund Balances</b>		\$7,127,470
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,628,464
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue.		
Delinquent Property Taxes	199,207	
Intergovernmental	999,288	
School Employees Retirement		
System Reimbursement	4,372	
Total		1,202,867
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.		981,644
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(14,744,734)	
Compensated Absences Payable	(900,837)	
Total		(15,645,571)
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(40,525)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.		(80,775)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	1,241,929	
Net Pension Liability	(17,927,288)	
Deferred Inflows - Pension	(3,242,404)	
Total		(19,927,763)
<i>Net Position of Governmental Activities</i>		(\$8,754,189)

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$11,798,149	\$980,191	\$226,707	\$13,005,047
Intergovernmental	2,626,372	147,628	1,256,439	4,030,439
Interest	65,694	301	49	66,044
Tuition and Fees	90,552	0	0	90,552
Extracurricular Activities	76,629	0	290,279	366,908
Contributions and Donations	36,587	0	124,263	160,850
Charges for Services	140,758	0	107,126	247,884
Rentals	15,898	0	0	15,898
Miscellaneous	104,697	0	457	105,154
<i>Total Revenues</i>	<u>14,955,336</u>	<u>1,128,120</u>	<u>2,005,320</u>	<u>18,088,776</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,548,653	0	734,775	7,283,428
Special	1,306,908	0	269,566	1,576,474
Vocational	134,329	0	0	134,329
Student Intervention Services	64,963	0	0	64,963
Support Services:				
Pupil	1,089,571	0	31,717	1,121,288
Instructional Staff	438,379	0	55,000	493,379
Board of Education	200,986	0	0	200,986
Administration	1,057,603	0	26,207	1,083,810
Fiscal	438,356	12,098	5,467	455,921
Business	15,622	0	0	15,622
Operation and Maintenance of Plant	1,302,482	0	93,607	1,396,089
Pupil Transportation	1,145,648	0	0	1,145,648
Central	140,200	0	14,292	154,492
Operation of Non-Instructional Services:				
Food Service Operations	0	0	295,843	295,843
Other Non-Instructional Services	31,115	0	0	31,115
Extracurricular Activities	435,125	0	361,621	796,746
Capital Outlay	312,352	0	347,328	659,680
Debt Service:				
Principal Retirement	0	236,622	0	236,622
Interest and Fiscal Charges	0	447,081	0	447,081
Capital Appreciation Bonds Interest	0	368,378	0	368,378
<i>Total Expenditures</i>	<u>14,662,292</u>	<u>1,064,179</u>	<u>2,235,423</u>	<u>17,961,894</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>293,044</u>	<u>63,941</u>	<u>(230,103)</u>	<u>126,882</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	86,260	86,260
Transfers Out	(86,260)	0	0	(86,260)
<i>Total Other Financing Sources (Uses)</i>	<u>(86,260)</u>	<u>0</u>	<u>86,260</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	206,784	63,941	(143,843)	126,882
<i>Fund Balances Beginning of Year</i>	<u>6,062,258</u>	<u>441,753</u>	<u>496,577</u>	<u>7,000,588</u>
<i>Fund Balances End of Year</i>	<u>\$6,269,042</u>	<u>\$505,694</u>	<u>\$352,734</u>	<u>\$7,127,470</u>

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

---

**Net Change in Fund Balances - Total Governmental Funds** \$126,882

*Amounts reported for governmental activities in the  
statement of activities are different because:*

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

Capital Outlay	635,849	
Depreciation	(582,002)	
Total		53,847

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

Delinquent Property Taxes	(148,982)	
Intergovernmental	908,317	
School Employees Retirement		
System Reimbursement	(3,774)	
Total		755,561

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest	(399)	
Accretion on Capital Appreciation Bonds	(25,073)	
Amortization of Accounting Loss	(124,656)	
Amortization of Bond Premium	56,808	
Total		(93,320)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 605,000

Some expenses, such as compensated absences and accrued vacation leave, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(121,084)	
Accrued Vacation Leave Payable	(19,816)	
Total		(140,900)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows. 1,072,988

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (725,581)

*Change in Net Position of Governmental Activities* \$1,654,477

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$11,565,443	\$11,565,443	\$11,660,933	\$95,490
Intergovernmental	1,665,380	2,561,081	2,637,265	76,184
Interest	25,075	11,646	40,614	28,968
Tuition and Fees	56,356	78,699	91,279	12,580
Extracurricular Activities	47,311	111,105	76,629	(34,476)
Contributions and Donations	22,589	1,483	36,587	35,104
Charges for Services	78,404	20,146	126,990	106,844
Rentals	9,815	20,644	15,898	(4,746)
Miscellaneous	27,966	56,153	105,442	49,289
<i>Total Revenues</i>	13,498,339	14,426,400	14,791,637	365,237
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,933,161	6,497,785	6,497,785	0
Special	1,265,605	1,301,250	1,301,250	0
Vocational	5,639	134,329	134,329	0
Student Intervention Services	118,606	64,722	60,967	3,755
Support Services:				
Pupil	1,055,889	1,077,319	1,056,470	20,849
Instructional Staff	370,885	474,389	437,957	36,432
Board of Education	208,854	213,904	183,645	30,259
Administration	1,032,599	1,097,940	1,059,925	38,015
Fiscal	511,426	479,498	471,665	7,833
Business	19,500	22,490	20,843	1,647
Operation and Maintenance of Plant	1,490,277	1,373,914	1,373,914	0
Pupil Transportation	1,260,512	1,214,703	1,188,433	26,270
Central	160,375	167,975	144,159	23,816
Operation of Non-Instructional Services	10,849	34,002	29,845	4,157
Extracurricular Activities	413,795	417,129	437,055	(19,926)
Capital Outlay	99,300	459,300	331,401	127,899
<i>Total Expenditures</i>	13,957,272	15,030,649	14,729,643	301,006
<i>Excess of Revenues Over (Under) Expenditures</i>	(458,933)	(604,249)	61,994	666,243
<b>Other Financing Uses</b>				
Advances Out	0	0	(77,685)	(77,685)
Transfers Out	(76,310)	(1,439,131)	(86,260)	1,352,871
<i>Total Other Financing Uses</i>	(76,310)	(1,439,131)	(163,945)	1,275,186
<i>Net Change in Fund Balance</i>	(535,243)	(2,043,380)	(101,951)	1,941,429
<i>Fund Balance Beginning of Year</i>	6,406,387	6,406,387	6,406,387	0
Prior Year Encumbrances Appropriated	214,296	214,296	214,296	0
<i>Fund Balance End of Year</i>	\$6,085,440	\$4,577,303	\$6,518,732	\$1,941,429

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2015*

---

---

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$65,059</u></u>
--	------------------------

**Liabilities**

Due to Students	<u><u>\$65,059</u></u>
-----------------	------------------------

See accompanying notes to the basic financial statements

*(This Page Intentionally Left Blank.)*

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**Note 1 – Description of the School District and Reporting Entity**

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

The School District was established in 1944 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 25 square miles. It is located mostly in Lake County, partially in Geauga County, and includes all of the territory of the City of Kirtland, and portions of Waite Hill Village, Kirtland Hills Village, Chardon Township and the City of Willoughby. It is staffed by 49 non-certified employees, 80 certified full-time teaching personnel, and 9 administrative employees who provide services to 1,174 students and other community members. The School District currently operates three school buildings, an administrative building, and a bus garage.

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

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Bond Retirement Fund*** The bond retirement fund is restricted for the accumulation of property tax revenues for, and the payment of, general obligation bonds issued for school improvements.

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

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

***Measurement Focus***

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

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

***Basis of Accounting***

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 9). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 22).

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***Pensions***

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Budgetary Data***

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

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

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

***Cash and Cash Equivalents***

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

During fiscal year 2015, investments were limited to State of Ohio infrastructure improvement bonds, federal national mortgage association bonds, resolution funding corporation bonds, United States treasury notes and STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold at June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$65,694, which includes \$7,710 assigned from other School District funds.

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated food, purchased food and school supplies held for resale and supplies held for consumption.

***Deferred Charge on Refunding***

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

***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

***Capital Assets***

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

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

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

***Accrued Liabilities and Long-Term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for athletic programs, food operations, and miscellaneous state and federal grant programs.

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

***Interfund Activity***

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Fund Balance***

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

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board assigned fund balances to cover a gap between estimated revenues and appropriations in fiscal year 2016’s budget.

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

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

***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.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 3 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$9,866,504
Adjustments:	
Net Pension Liability	(21,301,975)
Deferred Outflow - Payments Subsequent to Measurement Date	1,026,805
Restated Net Position June 30, 2014	(\$10,408,666)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Note 4 - Fund Balance**

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i><b>Restricted for:</b></i>				
College Scholarships	\$0	\$0	\$189	\$189
Education Foundation	0	0	12,574	12,574
Athletics and Music	0	0	97,139	97,139
Non-Public Schools	0	0	10,800	10,800
Technology	0	0	38,708	38,708
Special Education Donations	0	0	4,182	4,182
Debt Service Payments	0	505,694	0	505,694
Capital Improvements	0	0	266,159	266,159
<i>Total Restricted</i>	0	505,694	429,751	935,445
<i><b>Committed to:</b></i>				
College Scholarships	0	0	79,610	79,610
<i><b>Assigned to:</b></i>				
Support Services	148,680	0	0	148,680
Fiscal Year 2016 Appropriations	881,400	0	0	881,400
<i>Total Assigned</i>	1,030,080	0	0	1,030,080
<i>Unassigned (Deficit)</i>	5,238,962	0	(156,627)	5,082,335
<i>Total Fund Balances</i>	\$6,269,042	\$505,694	\$352,734	\$7,127,470

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 5 – Accountability**

The following funds had deficit fund balances at June 30, 2015:

<i>Special Revenue Funds:</i>	Amount
Food Service	\$15,075
Title VI-B	95,278
Title II-D	51
Title I	36,666
Preschool Disabilities	1,100
Improving Teacher Quality	8,457

The special revenue funds' deficits are caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficits in the funds and provides transfers when cash is required, not when accruals occur.

**Note 6 - Budgetary Basis of Accounting**

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
4. Encumbrances are treated as expenditures (budget) rather than as a restricted, committed or assigned fund balance.

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

Net Change in Fund Balance	
GAAP Basis	\$206,784
Net Adjustment for Revenue Accruals	(163,699)
Net Adjustment for Expenditure Accruals	97,365
Advances Out	(77,685)
Encumbrances	(164,716)
Budget Basis	(\$101,951)

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**Note 7 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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. Investments may only be made through specified dealers and institutions.

**Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$3,141,977 of the School District's bank balance of \$6,929,724 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of June 30, 2015, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity	Standard & Poor's	Percent of Total Investments
State of Ohio Infrastructure Improvement Bonds	\$100,000	Less than Two years	AA+	8.54 %
Federal National Mortgage Association Bonds	100,000	Less than Two years	AAA	8.54
Resolution Funding Corporation Bonds	50,000	Less than Two years	AAA	4.27
United States Treasury Notes	487,333	Less than Five years	AAA	41.63
STAR Ohio	433,194	Average 53.4 Days	N/A	N/A
<i>Totals</i>	<u>\$1,170,527</u>			

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

**Credit Risk.** The Standard & Poor's ratings of the School District's investments are listed in the preceding table. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 8 - Receivables**

Receivables at June 30, 2015, consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Straight A - Technology	\$881,978
IDEA Part B - Special Education	96,707
Title I	37,742
Improving Teacher Quality	21,638
Wickliffe City School District	12,022
School Employees Retirement System	4,372
Ohio Department of Education	2,557
Food Service	446
State of Ohio Medicaid Reimbursement	329
Geneva Local School District	200
Total Intergovernmental Receivable	\$1,057,991

**Note 9 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2015, represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Lake and Geauga Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2015 was \$1,181,130 in the general fund, \$89,347 in the bond retirement fund and \$21,407 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2014 was \$1,043,914 in the general fund, \$87,331 in the bond retirement fund and \$20,084 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$303,140,230	96.33 %	\$305,862,620	96.13 %
Public Utility Personal	11,536,370	3.67	12,319,290	3.87
<b>Total</b>	<b>\$314,676,600</b>	<b>100.00 %</b>	<b>\$318,181,910</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$78.44		\$78.12	

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of June 30, 2015, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance fiscal year 2015 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual bases the revenue has been reported as deferred inflows of resources – unavailable revenue.

**Note 10 – Vacation and Sick Leave**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and confidential employees earn ten to twenty days of vacation per year, depending upon length of service. Upon approval, up to five days may be carried over into the following year. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum limit for all certified and classified personnel hired before the 1985-1986 school year. Employees hired after the 1985-1986 school year are limited to 275 days of sick leave. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 62 days for certified personnel, and one-fourth of accrued, but unused sick leave credit to a maximum of 60 days.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$813,790	\$0	\$0	\$813,790
Construction in Progress	0	108,331	0	108,331
<i>Total Capital Assets, not being depreciated</i>	813,790	108,331	0	922,121
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,165,452	370,304	0	2,535,756
Buildings and Improvements	20,482,839	75,709	0	20,558,548
Furniture and Equipment	379,424	81,505	0	460,929
Vehicles	1,440,828	0	0	1,440,828
<i>Total Capital Assets, being depreciated</i>	24,468,543	527,518	0	24,996,061
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,054,749)	(99,094)	0	(1,153,843)
Buildings and Improvements	(5,421,294)	(387,645)	0	(5,808,939)
Furniture and Equipment	(267,951)	(20,441)	0	(288,392)
Vehicles	(963,722)	(74,822)	0	(1,038,544)
<i>Total Accumulated Depreciation</i>	(7,707,716)	(582,002) *	0	(8,289,718)
<i>Total Capital Assets, being depreciated, net</i>	16,760,827	(54,484)	0	16,706,343
<b>Governmental Activities Capital Assets, Net</b>	\$17,574,617	\$53,847	\$0	\$17,628,464

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$475,384
Support Services:	
Board of Education	7,227
Administration	5,264
Operation of Plant	5,190
Pupil Transportation	81,553
Food Service Operations	416
Extracurricular Activities	6,968
<i>Total Depreciation Expense</i>	\$582,002

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**Note 12 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Hylant Administrative Services for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$44,968,099
Extra Expense Coverage	1,000,000
Crime	50,000
General Liability	6,000,000
Employee Benefits Liability	6,000,000
Employer's Liability	6,000,000
School Leader's Errors and Omissions Liability	6,000,000
Sexual Misconduct and Molestation	6,000,000
Fleet	6,000,000
Uninsured Motorists	250,000
Boiler and Machinery	44,968,099
Fiduciary Liability	6,000,000
Violence Coverage	1,000,000

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

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

***Employee Medical Coverage***

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

***Workers' Compensation***

For fiscal year 2015, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Health Systems Incorporated, provides administrative, cost control and actuarial services to the GRP.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 13 - Contingencies**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

***Litigation***

As of June 30, 2015, the School District was not party to any legal proceedings.

**Note 14 – Interfund Transactions**

***Interfund Balances***

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General
<b>Other Governmental Funds:</b>	
Title VI-B	\$95,261
Title II-D	51
Preschool	1,100
Title I	24,232
Title VI-R	8,457
Total	\$129,101

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

***Transfers***

The general fund made transfers to the food service and athletics and music special revenue funds in the amounts of \$81,630 and \$4,630, respectively, to move unrestricted balances to support programs and projects accounted for in other funds.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**Note 15 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/14	Additions	Deductions	Principal Outstanding 6/30/15	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds:</b>					
2006 School Improvement Bonds 4%-17.324%					
Current Interest Serial Bonds	\$3,825,000	\$0	\$0	\$3,825,000	\$435,000
Capital Appreciation Bonds	110,051	0	110,051	0	0
Accretion on Capital Appreciation Bonds	324,949	0	324,949	0	0
2007 School Improvement Bonds 4%-12.994%					
Current Interest Serial Bonds	145,000	0	0	145,000	0
Term Bonds	1,160,000	0	0	1,160,000	0
Capital Appreciation Bonds	49,998	0	26,571	23,427	23,427
Accretion on Capital Appreciation Bonds	73,701	12,029	43,429	42,301	42,301
2013 School Improvement Refunding Bonds 1.25 - 3.00%					
Current Interest Serial Bonds	8,540,000	0	100,000	8,440,000	100,000
Capital Appreciation Bonds	14,992	0	0	14,992	0
Accretion on Capital Appreciation Bonds	8,689	13,044	0	21,733	0
Premium on Bonds	1,129,089	0	56,808	1,072,281	0
<b>Total General Obligation Bonds</b>	<b>15,381,469</b>	<b>25,073</b>	<b>661,808</b>	<b>14,744,734</b>	<b>600,728</b>
Compensated Absences	779,753	363,765	242,681	900,837	104,247
Net Pension Liability					
SERS	3,841,257	0	572,141	3,269,116	0
STRS	17,460,718	0	2,802,546	14,658,172	0
<b>Total Net Pension Liability</b>	<b>21,301,975</b>	<b>0</b>	<b>3,374,687</b>	<b>17,927,288</b>	<b>0</b>
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$37,463,197</b>	<b>\$388,838</b>	<b>\$4,279,176</b>	<b>\$33,572,859</b>	<b>\$704,975</b>

On August 23, 2006, the School District issued \$14,794,994 in general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$8,105,000, \$6,450,000 and \$239,994, respectively, at interest rates varying from 4 to 17.324 percent. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2033. The final payment on the capital appreciation bonds was made in fiscal year 2015. The remaining bonds will be retired from the debt service fund.

On March 21, 2007, the School District issued \$1,895,000 in general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$595,000, \$1,160,000 and \$140,000, respectively, at interest rates varying from 4 to 12.994 percent. The bonds were issued for a twenty-two year period with final maturity at December 1, 2029. The bonds will be retired from the debt service fund.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

The capital appreciation, current interest serial and term bonds remained outstanding at June 30, 2010. The capital appreciation bonds were originally sold at a discount of \$90,002, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is December 1, 2015.

The final maturity amount of outstanding capital appreciation bonds is \$70,000. The accretion recorded for fiscal year 2015 was \$12,029, for a total outstanding bond liability of \$65,728.

On May 16, 2013, the School District issued \$8,599,992 in general obligation bonds which included serial and capital appreciation (deep discount) bonds, to partially refund bonds previously issued in 2006 for school improvements in the amount of \$8,600,000. The bonds were issued with interest rates varying from 1.25 to 3 percent. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2015, \$8,165,000 of the defeased bonds are still outstanding. The bonds were issued for a 20 year period with final maturity during fiscal year 2034. The bonds will be retired through the bond retirement fund.

The final maturity amount of outstanding capital appreciation bonds is \$375,000. The accretion recorded for fiscal year 2015 was \$13,044, for a total outstanding bond liability of \$36,725.

The School District's overall legal debt margin at June 30, 2015 was \$15,469,613 with an unvoted debt margin of \$318,182. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015, are as follows:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$535,000	\$530,338	\$0	\$0	\$23,427	\$46,573
2017	630,000	461,494	0	0	0	0
2018	670,000	510,093	0	0	0	0
2019	610,000	471,419	0	0	0	0
2020	630,000	450,897	0	0	0	0
2021-2025	2,020,000	1,913,300	510,000	181,338	14,992	1,445,008
2026-2030	3,830,000	1,200,900	650,000	113,983	0	0
2031-2034	3,485,000	302,113	0	0	0	0
<b>Total</b>	<b>\$12,410,000</b>	<b>\$5,840,554</b>	<b>\$1,160,000</b>	<b>\$295,321</b>	<b>\$38,419</b>	<b>\$1,491,581</b>

Compensated absences will be paid from the general, food service and title I special revenue funds. The School District pays obligations related to employee compensation from the fund benefitting from their service.

**Note 16 - Set Asides**

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

	Capital Improvements
Set-aside Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	203,482
Current Year Offsets	(225,384)
Qualifying Disbursements	(356,836)
Totals	(\$378,738)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2015	\$0

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

**Note 17 - Jointly Governed Organizations**

**Lake Geauga Computer Association** - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 19 member school districts. Each of the participants supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the participants. The LGCA's governing board's exercises total control over the operations of the NCC including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. LGCA's continued existence is not dependent upon the School District's continued participation. In fiscal year 2015, the School District paid \$99,855 to the LGCA. Financial information can be obtained by writing the Lake Geauga Computer Association, 8221 Auburn Road, Concord Township, Ohio 44077.

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

**Ohio Schools Council Association** - The Ohio Schools Council (Council) is a jointly governed organization among 200 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The degree of control exercised by any participating school district is limited to its representation on the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The Assembly exercises total control over the operations of the Ohio Schools Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. In fiscal year 2015, the School District paid \$1,113 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2016. There are currently 151 participants in the program including the Kirtland Local School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

**Note 18 – Claims Servicing Pool**

The School District participates in the Lake County Schools Health Care Consortium (Consortium), a claims servicing pool comprised of nine Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five member Board of Directors elected by the Consortium's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. The Consortium acts solely as the claims servicing agent. Financial information can be obtained from Mike Vaccariello, Treasurer, Madison Local School District, 1956 Red Bird Road, Madison, OH 44057.

**Note 19 - Related Organization**

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

**Note 20 - Insurance Purchasing Pool**

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**Note 21 - Significant Commitments**

***Contractual Commitments***

As of June 30, 2015, the School District had \$743,602 in contractual commitments related to the renovations and furnishing of the high school media center. Remaining commitment amounts were encumbered at year end.

***Encumbrances***

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

General	\$164,716
Other Governmental Funds	62,236
Totals	<u><u>\$226,952</u></u>

**Note 22 - Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$239,347 for fiscal year 2015. Of this amount \$17,492 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

The School District's contractually required contribution to STRS was \$833,641 for fiscal year 2015. Of this amount \$211,005 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,269,116	\$14,658,172	\$17,927,288
Proportion of the Net Pension Liability	0.06459500%	0.06026351%	
Pension Expense	\$191,827	\$533,754	\$725,581

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$27,824	\$141,117	\$168,941
School District contributions subsequent to the measurement date	<u>239,347</u>	<u>833,641</u>	<u>1,072,988</u>
Total Deferred Outflows of Resources	<u>\$267,171</u>	<u>\$974,758</u>	<u>\$1,241,929</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$530,587</u>	<u>\$2,711,817</u>	<u>\$3,242,404</u>

\$1,072,988 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$125,621)	(\$642,675)	(\$768,296)
2017	(125,621)	(642,675)	(768,296)
2018	(125,621)	(642,675)	(768,296)
2019	<u>(125,900)</u>	<u>(642,675)</u>	<u>(768,575)</u>
Total	<u>(\$502,763)</u>	<u>(\$2,570,700)</u>	<u>(\$3,073,463)</u>

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented as follows:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$4,664,057	\$3,269,116	\$2,095,850

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$20,984,770	\$14,658,172	\$9,307,997

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2015, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 23 - Postemployment Benefits**

***School Employee Retirement System***

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$33,736.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$49,836, \$58,243 and \$48,760, respectively. For fiscal year 2015, 78.31 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

---

***State Teachers Retirement System***

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$53,838 and \$62,049, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Note 24 – Subsequent Event**

On October 22, 2015, the School District refunded \$3,765,310 of the 2006 school improvement bonds and \$1,613,919 of the 2007 school improvement bonds. The refunding bonds have a par value of \$4,525,000 with an interest rate of 3.56 percent and a maturity date of December 1, 2029.

## **Required Supplementary Information**

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.06459500%	0.06459500%
School District's Proportionate Share of the Net Pension Liability	\$3,269,116	\$3,841,257
School District's Covered-Employee Payroll	\$1,884,595	\$1,889,511
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.47%	203.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.06026351%	0.06026351%
School District's Proportionate Share of the Net Pension Liability	\$14,658,172	\$17,460,718
School District's Covered-Employee Payroll	\$5,889,229	\$6,314,408
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	248.90%	276.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$239,347	\$261,205	\$261,508	\$282,179
Contributions in Relation to the Contractually Required Contribution	<u>(239,347)</u>	<u>(261,205)</u>	<u>(261,508)</u>	<u>(282,179)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$1,815,989	\$1,884,595	\$1,889,511	\$2,097,984
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$257,339	\$260,424	\$178,410	\$176,914	\$181,521	\$174,141
<u>(257,339)</u>	<u>(260,424)</u>	<u>(178,410)</u>	<u>(176,914)</u>	<u>(181,521)</u>	<u>(174,141)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,047,248	\$1,923,365	\$1,813,113	\$1,801,572	\$1,699,635	\$1,645,945
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$833,641	\$765,600	\$820,873	\$662,091
Contributions in Relation to the Contractually Required Contribution	<u>(833,641)</u>	<u>(765,600)</u>	<u>(820,873)</u>	<u>(662,091)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$5,954,579	\$5,889,229	\$6,314,408	\$5,093,008
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$847,894	\$852,015	\$793,739	\$760,136	\$710,242	\$685,048
(847,894)	(852,015)	(793,739)	(760,136)	(710,242)	(685,048)
\$0	\$0	\$0	\$0	\$0	\$0
\$6,522,262	\$6,553,962	\$6,105,685	\$5,847,200	\$5,463,400	\$5,269,600
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

*(This Page Intentionally Left Blank.)*



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2016, wherein we noted the District adopted Government Accounting Standard (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801  
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 31, 2016



# Dave Yost • Auditor of State

**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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 12, 2016**