



OHIO AUDITOR OF STATE  
**KEITH FABER**





**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
<u>Fiscal Year 2023:</u>	
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund .....	19
Notes to the Basic Financial Statements .....	20
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio Last Ten Fiscal Years .....	58
Schedule of the School District's Proportionate Share of the Net OPEB Liability School Employees Retirement System of Ohio Last Seven Fiscal Years .....	60
Schedule of the School District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio Last Ten Fiscal Years .....	62

**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
<u>Fiscal Year 2023 – (Continued):</u>	
Schedule of the School District’s Proportionate Share of the Net OPEB Liability (Asset) State Teachers Retirement System of Ohio Last Seven Fiscal Years .....	64
Schedule of the School District’s Contributions School Employees Retirement System of Ohio Last Ten Fiscal Years .....	66
Schedule of the School District’s Contributions State Teachers Retirement System of Ohio Last Ten Fiscal Years .....	68
Notes to the Required Supplementary Information.....	70
Prepared by Management:	
Schedule of Expenditures of Federal Awards .....	75
Notes to the Schedule of Expenditures of Federal Awards.....	76
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	77
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	79
Schedule of Findings .....	83
Corrective Action Plan .....	85
<u>Fiscal Year 2022:</u>	
Independent Auditor’s Report .....	1
Prepared by Management:	
Management’s Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	14
Statement of Activities .....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	16

**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
<u>Fiscal Year 2022 – (Continued):</u>	
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund .....	20
Notes to the Basic Financial Statements .....	21
<u>Required Supplementary Information:</u>	
Schedule of the School District’s Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio Last Nine Fiscal Years .....	60
Schedule of the School District’s Proportionate Share of the Net OPEB Liability School Employees Retirement System of Ohio Last Six Fiscal Years .....	62
Schedule of the School District’s Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio Last Nine Fiscal Years .....	64
Schedule of the School District’s Proportionate Share of the Net OPEB Liability (Asset) State Teachers Retirement System of Ohio Last Six Fiscal Years .....	66
Schedule of the School District’s Contributions School Employees Retirement System of Ohio Last Ten Fiscal Years .....	68
Schedule of the School District’s Contributions State Teachers Retirement System of Ohio Last Ten Fiscal Years .....	70
Notes to the Required Supplementary Information .....	72
<u>Prepared by Management:</u>	
Schedule of Expenditures of Federal Awards .....	77
Notes to the Schedule of Expenditures of Federal Awards .....	78

**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
<u>Fiscal Year 2022 – (Continued):</u>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	79
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	81
Schedule of Findings .....	85
Corrective Action Plan .....	87



**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2023**





**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
<u>Fiscal Year 2023:</u>	
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund .....	19
Notes to the Basic Financial Statements .....	20
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio Last Ten Fiscal Years .....	58
Schedule of the School District's Proportionate Share of the Net OPEB Liability School Employees Retirement System of Ohio Last Seven Fiscal Years .....	60
Schedule of the School District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio Last Ten Fiscal Years .....	62

**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
<u>Fiscal Year 2023 – (Continued):</u>	
Schedule of the School District’s Proportionate Share of the Net OPEB Liability (Asset) State Teachers Retirement System of Ohio Last Seven Fiscal Years .....	64
Schedule of the School District’s Contributions School Employees Retirement System of Ohio Last Ten Fiscal Years .....	66
Schedule of the School District’s Contributions State Teachers Retirement System of Ohio Last Ten Fiscal Years .....	68
Notes to the Required Supplementary Information.....	70
Prepared by Management:	
Schedule of Expenditures of Federal Awards .....	75
Notes to the Schedule of Expenditures of Federal Awards.....	76
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	77
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	79
Schedule of Findings .....	83

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

**Required Supplementary Information**

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

**Supplementary Information**

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we will have also issued our report dated April 29, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 29, 2024

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**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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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, 2023. 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 2023 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 2023, the School District continued to provide professional development for staff members as more technology is introduced into the curriculum and classrooms.
- General revenues accounted for the majority of all revenues, with tax revenues representing the largest share of those revenues. Specific program revenues in the form of charges for services and operating grants, and contributions accounted for the remainder of all revenues.

### **Using this Annual Financial Report**

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

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

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

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

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during fiscal year 2023?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting, used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

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

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

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

*Fund Financial Statements*

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

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

**The School District as a Whole**

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for 2023 compared to 2022.



**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

Table 1  
Net Position  
Governmental Activities

	2023	2022	Change
<b>Assets</b>			
Current and Other Assets	\$27,070,585	\$24,929,982	\$2,140,603
Net OPEB Asset	1,558,698	1,268,308	290,390
Capital Assets, Net	17,529,134	15,073,264	2,455,870
<b>Total Assets</b>	<b>46,158,417</b>	<b>41,271,554</b>	<b>4,886,863</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	106,078	230,285	(124,207)
Pension	3,845,700	4,042,056	(196,356)
OPEB	384,857	473,536	(88,679)
<i>Total Deferred Outflows of Resources</i>	<i>4,336,635</i>	<i>4,745,877</i>	<i>(409,242)</i>
<b>Liabilities</b>			
Current Liabilities	2,359,486	1,835,767	(523,719)
Long-Term Liabilities:			
Due Within One Year	1,208,531	1,144,652	(63,879)
Due in More than One Year:			
Net Pension Liability	15,965,306	9,619,752	(6,345,554)
Net OPEB Liability	683,721	1,019,123	335,402
Other Amounts Due in More Than One Year	14,141,628	11,178,689	(2,962,939)
<b>Total Liabilities</b>	<b>34,358,672</b>	<b>24,797,983</b>	<b>(9,560,689)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	12,102,295	12,090,586	(11,709)
Pension	1,667,162	7,978,689	6,311,527
OPEB	2,282,513	2,139,996	(142,517)
<i>Total Deferred Inflows of Resources</i>	<i>16,051,970</i>	<i>22,209,271</i>	<i>6,157,301</i>
<b>Net Position</b>			
Net Investment in Capital Assets	5,668,096	5,650,200	17,896
Restricted For:			
Capital Projects	2,257,034	404,840	1,852,194
Debt Service	454,839	697,213	(242,374)
OPEB Plans	305,107	3,822	301,285
Other Purposes	548,105	659,894	(111,789)
Unrestricted (Deficit)	(9,148,771)	(8,405,792)	(742,979)
<b>Total Net Position</b>	<b>\$84,410</b>	<b>(\$989,823)</b>	<b>\$1,074,233</b>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2023. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Net position increased primarily as a result of an increase in the cash and intergovernmental receivables. Equity in pooled cash and cash equivalents increased largely due to proceeds received for the purpose of construction on the new stadium and high school science labs.

Table 2 shows the changes in net position for fiscal years 2023 compared to 2022.

Table 2  
 Changes in Position  
 Governmental Activities

	<u>2023</u>	<u>2022</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$1,053,487	\$621,856	\$431,631
Operating Grants and Contributions	1,368,394	1,548,986	(180,592)
Capital Grants, Contributions and Interest	21,691	0	21,691
<i>Total Program Revenues</i>	<u>2,443,572</u>	<u>2,170,842</u>	<u>272,730</u>
General Revenues:			
Property Taxes	14,272,246	13,648,258	623,988
Grant and Entitlements	2,480,648	2,728,306	(247,658)
Unrestricted Contributions and Donations	33,156	30,537	2,619
Investment Earnings/ Interest	281,684	(77,975)	359,659
Miscellaneous	226,320	128,220	98,100
<i>Total General Revenues</i>	<u>17,294,054</u>	<u>16,457,346</u>	<u>836,708</u>
<i>Total Revenues</i>	<u>\$19,737,626</u>	<u>\$18,628,188</u>	<u>\$1,109,438</u>

*(continued)*

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

Changes in Position  
Governmental Activities (*continued*)

	2023	2022	Change
<b>Program Expenses</b>			
Instruction	\$10,464,351	\$8,742,098	(\$1,722,253)
Support Services:			
Pupil	1,124,586	931,093	(193,493)
Instructional Staff	439,404	272,723	(166,681)
Board of Education	265,757	291,638	25,881
Administration	946,160	895,860	(50,300)
Fiscal	586,523	454,215	(132,308)
Business	46,422	39,705	(6,717)
Operation and Maintenance of Plant	1,433,958	1,400,305	(33,653)
Pupil Transportation	1,127,147	984,674	(142,473)
Central	306,981	356,918	49,937
Food Service Operations	259,780	268,087	8,307
Other Non-Instructional Services	76,358	63,511	(12,847)
Extracurricular Activities	798,589	760,702	(37,887)
Interest	787,917	615,576	(172,341)
<i>Total Program Expenses</i>	<u>18,663,933</u>	<u>16,077,105</u>	<u>(2,586,828)</u>
<i>Change in Net Position</i>	1,074,233	2,551,083	(1,476,850)
<i>Net Position Beginning of Year</i>	<u>(989,823)</u>	<u>(3,540,906)</u>	<u>2,551,083</u>
<i>Net Position End of Year</i>	<u>\$84,410</u>	<u>(\$989,823)</u>	<u>\$1,074,233</u>

**Governmental Activities**

Several revenue sources primarily fund the School District's governmental activities. Property tax revenues brought the largest portion of general revenues having generated \$14,272,246 in fiscal year 2023. 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 decreased during fiscal year 2023 due to changes in grant funding. Charges for services increased due to an increase in student fees and charges for extracurricular activities.

Instruction expenses are the largest expense of the School District, comprising of 56.07 percent of total expenses. Operation and maintenance of plant expenses are those expenses concerned with keeping the physical plant open, comfortable and safe for use and keeping the grounds, buildings and equipment in an effective working condition and state of repair. These expenses make up 7.68 percent of expenses for fiscal year 2023.

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 2023 and 2022. 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, 2023*  
*Unaudited*

Table 3  
 Governmental Activities

	2023		2022	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
Instruction	\$10,464,351	(\$9,236,564)	\$8,742,098	(\$7,474,708)
Support Services:				
Pupil	1,124,586	(1,088,904)	931,093	(930,194)
Instructional Staff	439,404	(333,524)	272,723	(216,407)
Board of Education	265,757	(265,757)	291,638	(291,638)
Administration	946,160	(946,160)	895,860	(895,860)
Fiscal	586,523	(422,809)	454,215	(454,215)
Business	46,422	(46,422)	39,705	(39,705)
Operation and Maintenance of Plant	1,433,958	(1,420,104)	1,400,305	(1,391,418)
Pupil Transportation	1,127,147	(1,127,147)	984,674	(984,674)
Central	306,981	(301,581)	356,918	(347,596)
Food Service Operations	259,780	(10,799)	268,087	216,415
Other Non-Instructional Services	76,358	(76,358)	63,511	(18,737)
Extracurricular Activities	798,589	(155,775)	760,702	(461,950)
Interest and Fiscal Charges	787,917	(787,917)	615,576	(615,576)
<b>Total Expenses</b>	<b>\$18,663,933</b>	<b>(\$16,219,821)</b>	<b>\$16,077,105</b>	<b>(\$13,906,263)</b>

**The School District's Funds**

Information regarding the School District's major funds starts on page 15. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund and the construction capital projects fund. All governmental funds had total revenues of \$19,380,559 and expenditures of \$21,896,646.

The general fund had an increase in fund balance of \$56,650 for fiscal year 2023, due to increases in revenues outpacing expenditure increases. Property taxes, intergovernmental revenues and investment earnings/interest increased during the year. Property tax increases can be attributed to the increase in assessed valuations. Investment earnings/interest increases can be attributed to higher interest rates. The construction capital projects fund increased due to the School District entering into a financed purchase agreement for the construction of a new stadium and high school science lab improvements.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2023, the School District amended its general fund budget a number of times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the actual revenues were \$132,488 over final budgeted revenues. Final budgeted expenditures were \$16,232,234, while actual expenditures were \$15,742,118. The School District monitors the budget on a monthly basis to keep it in line with current expenditures.

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2023*  
*Unaudited*

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 details fiscal year 2023 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

	2023	2022
Land	\$813,790	\$813,790
Construction in Progress	2,435,177	0
Land Improvements	707,547	807,194
Buildings and Improvements	12,900,267	12,903,299
Furniture and Equipment	330,362	219,201
Vehicles	341,991	329,780
<b>Total</b>	<b>\$17,529,134</b>	<b>\$15,073,264</b>

The increase in capital assets is related to construction in progress related to the new stadium and high school improvements. This increase is offset by an additional year of annual depreciation on all capital assets other than land exceeding capital asset additions. Other additions included a new school bus, cameras and various other School District renovations.

*Debt Administration*

At June 30, 2023, the School District had \$13,535,402 in bonds and a financed purchases outstanding with \$945,000 due within one year. Table 5 summarizes general obligation bonds outstanding for governmental activities for fiscal years 2023 and 2022.

Table 5  
 Outstanding Debt at June 30

	2023	2022
2013 School Improvement Refunding Bonds	\$9,050,262	\$9,125,931
2016 School Improvement Refunding Bonds	870,140	1,303,732
2023 School Improvement Financed Purchase	3,615,000	0
<b>Total Debt</b>	<b>\$13,535,402</b>	<b>\$10,429,663</b>

The School District's overall legal debt margin at June 30, 2023 was \$28,933,237 with an unvoted debt margin of \$418,343. 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, 2023*  
*Unaudited*

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**Current Issues**

The School District remains dependent upon local revenue to support the high quality educational programs. Currently 72.31 percent of total operating fund revenue is local property tax revenue. The Board of Education has practiced fiscal prudence and slowed the year over year growth of operating fund expenses, and has thoughtfully overseen the use on operating fund levy proceeds. As a result of State funding policies for public education there is no year over year growth in total operating fund revenues. This places great importance in gaining community support for renewing all existing operating levy issues.

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

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

**Kirtland Local School District***Statement of Net Position**June 30, 2023*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,237,256
Equity in Pooled Cash and Cash Equivalents with Fiscal Agent	3,741,631
Accrued Interest Receivable	28,159
Accounts Receivable	32,577
Intergovernmental Receivable	633,583
Prepaid Items	14,121
Property Taxes Receivable	13,383,258
Nondepreciable Capital Assets	3,248,967
Depreciable Capital Assets, Net	14,280,167
Net OPEB Asset	1,558,698
<i>Total Assets</i>	<u>46,158,417</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	106,078
Pension	3,845,700
OPEB	384,857
<i>Total Deferred Outflows of Resources</i>	<u>4,336,635</u>
<b>Liabilities</b>	
Accounts Payable	71,269
Retainage Payable	162,051
Accrued Wages and Benefits	1,338,068
Intergovernmental Payable	455,103
Accrued Interest Payable	32,690
Matured Compensated Absences Payable	82,439
Accrued Vacation Leave Payable	46,842
Unearned Revenue	171,024
Long-Term Liabilities:	
Due Within One Year	1,208,531
Due In More Than One Year:	
Net Pension Liability (See Note 22)	15,965,306
Net OPEB Liability (See Note 23)	683,721
Other Amounts Due in More Than One Year	14,141,628
<i>Total Liabilities</i>	<u>34,358,672</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	12,102,295
Pension	1,667,162
OPEB	2,282,513
<i>Total Deferred Inflows of Resources</i>	<u>16,051,970</u>
<b>Net Position</b>	
Net Investment in Capital Assets	5,668,096
Restricted for:	
Capital Projects	2,257,034
Debt Service	454,839
OPEB Plans	305,107
Other Purposes	548,105
Unrestricted (Deficit)	<u>(9,148,771)</u>
<i>Total Net Position</i>	<u>\$84,410</u>

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2023

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions and Interest	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$8,059,079	\$274,659	\$477,124	\$0	(\$7,307,296)
Special	2,297,477	0	475,969	0	(1,821,508)
Vocational	107,705	0	35	0	(107,670)
Student Intervention Services	90	0	0	0	(90)
Support Services:					
Pupil	1,124,586	0	35,682	0	(1,088,904)
Instructional Staff	439,404	0	105,880	0	(333,524)
Board of Education	265,757	0	0	0	(265,757)
Administration	946,160	0	0	0	(946,160)
Fiscal	586,523	0	163,714	0	(422,809)
Business	46,422	0	0	0	(46,422)
Operation and Maintenance of Plant	1,433,958	2,427	11,427	0	(1,420,104)
Pupil Transportation	1,127,147	0	0	0	(1,127,147)
Central	306,981	0	5,400	0	(301,581)
Food Service Operations	259,780	189,529	59,452	0	(10,799)
Other Non-Instructional Services	76,358	0	0	0	(76,358)
Extracurricular Activities	798,589	586,872	34,251	21,691	(155,775)
Interest	787,917	0	0	0	(787,917)
<b>Totals</b>	<b>\$18,663,933</b>	<b>\$1,053,487</b>	<b>\$1,368,934</b>	<b>\$21,691</b>	<b>(16,219,821)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					12,425,615
					953,243
					893,388
Income Taxes Levied for General Purposes					
Grants and Entitlements not Restricted					
					2,480,648
to Specific Programs					
					33,156
Unrestricted Contributions and Donations					
					281,684
Investment Earnings/Interest					
					226,320
Miscellaneous					
<b>Total General Revenues</b>					
					<b>17,294,054</b>
Change in Net Position					
					1,074,233
<b>Net Position Beginning of Year</b>					
					<b>(989,823)</b>
<b>Net Position End of Year</b>					
					<b>\$84,410</b>

See accompanying notes to the basic financial statements



**Kirtland Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2023*

	<u>General</u>	<u>Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$7,048,957	\$0	\$2,188,299	\$9,237,256
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agents	0	3,741,631	0	3,741,631
Accrued Interest Receivable	28,159	0	0	28,159
Accounts Receivable	30,493	0	2,084	32,577
Intergovernmental Receivable	128,370	0	505,213	633,583
Interfund Receivable	3,144,018	0	0	3,144,018
Prepaid Items	14,121	0	0	14,121
Property Taxes Receivable	11,922,154	0	1,461,104	13,383,258
<i>Total Assets</i>	<u>\$22,316,272</u>	<u>\$3,741,631</u>	<u>\$4,156,700</u>	<u>\$30,214,603</u>
<b>Liabilities</b>				
Accounts Payable	\$50,899	\$0	\$20,370	\$71,269
Retainage Payable	0	162,051	0	162,051
Accrued Wages and Benefits	1,300,518	0	37,550	1,338,068
Interfund Payable	0	2,645,687	498,331	3,144,018
Intergovernmental Payable	404,139	0	50,964	455,103
Matured Compensated Absences Payable	82,439	0	0	82,439
Unearned Revenue	0	0	171,024	171,024
<i>Total Liabilities</i>	<u>1,837,995</u>	<u>2,807,738</u>	<u>778,239</u>	<u>5,423,972</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	11,084,352	0	1,017,943	12,102,295
Unavailable Revenue	263,196	0	525,377	788,573
<i>Total Deferred Inflows of Resources</i>	<u>11,347,548</u>	<u>0</u>	<u>1,543,320</u>	<u>12,890,868</u>
<b>Fund Balances</b>				
Nonspendable	14,121	0	0	14,121
Restricted	0	933,893	2,243,175	3,177,068
Committed	0	0	178,782	178,782
Assigned	1,187,071	0	0	1,187,071
Unassigned (Deficit)	7,929,537	0	(586,816)	7,342,721
<i>Total Fund Balances</i>	<u>9,130,729</u>	<u>933,893</u>	<u>1,835,141</u>	<u>11,899,763</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$22,316,272</u>	<u>\$3,741,631</u>	<u>\$4,156,700</u>	<u>\$30,214,603</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, 2023*

<b>Total Governmental Fund Balances</b>	<b>\$11,899,763</b>
 <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.	17,529,134
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	190,133
Intergovernmental	505,213
Tuition and Fees	93,227
Total	788,573
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.	106,078
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(9,920,402)
School Improvement Finance	(3,615,000)
Compensated Absences Payable	(1,814,757)
Total	(15,350,159)
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.	(32,690)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(46,842)
The net pension liability and net OPEB asset/liability is not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	3,845,700
Deferred Inflows - Pension	(1,667,162)
Net Pension Liability	(15,965,306)
Net OPEB Asset	1,558,698
Deferred Outflows - OPEB	384,857
Deferred Inflows - OPEB	(2,282,513)
Net OPEB Liability	(683,721)
Total	(14,809,447)
 <i>Net Position of Governmental Activities</i>	 <b>\$84,410</b>

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, 2023*

	General	Construction	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$12,417,004	\$0	\$1,847,721	\$14,264,725
Intergovernmental	2,649,924	0	884,766	3,534,690
Investment Earnings/Interest	272,194	21,691	9,490	303,375
Tuition and Fees	155,363	0	31,658	187,021
Extracurricular Activities	131,031	0	358,841	489,872
Contributions and Donations	33,156	0	40,444	73,600
Charges for Services	12,000	0	286,529	298,529
Rentals	2,427	0	0	2,427
Miscellaneous	198,102	1,500	26,718	226,320
<i>Total Revenues</i>	<u>15,871,201</u>	<u>23,191</u>	<u>3,486,167</u>	<u>19,380,559</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,386,275	0	193,394	7,579,669
Special	1,700,741	0	614,683	2,315,424
Vocational	107,705	0	0	107,705
Student Intervention Services	90	0	0	90
Support Services:				
Pupil	1,108,387	0	44,255	1,152,642
Instructional Staff	425,022	0	33,570	458,592
Board of Education	260,035	0	0	260,035
Administration	985,000	0	0	985,000
Fiscal	535,996	1,500	15,637	553,133
Business	46,422	0	0	46,422
Operation and Maintenance of Plant	1,267,017	0	220,056	1,487,073
Pupil Transportation	1,116,181	0	0	1,116,181
Central	325,137	0	2,605	327,742
Food Service Operations	0	0	262,186	262,186
Other Non-Instructional Services	23,468	0	52,890	76,358
Extracurricular Activities	527,075	0	431,152	958,227
Capital Outlay	0	2,809,722	43,443	2,853,165
Debt Service:				
Principal Retirement	0	0	570,555	570,555
Interest	0	0	381,942	381,942
Capital Appreciation Bonds Interest	0	0	359,445	359,445
Issuance Costs	0	45,060	0	45,060
<i>Total Expenditures</i>	<u>15,814,551</u>	<u>2,856,282</u>	<u>3,225,813</u>	<u>21,896,646</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	56,650	(2,833,091)	260,354	(2,516,087)
<b>Other Financing Sources (Uses)</b>				
Financed Purchase Issued	0	3,765,000	0	3,765,000
<i>Net Change in Fund Balances</i>	56,650	931,909	260,354	1,248,913
<i>Fund Balances Beginning of Year</i>	<u>9,074,079</u>	<u>1,984</u>	<u>1,574,787</u>	<u>10,650,850</u>
<i>Fund Balances End of Year</i>	<u>\$9,130,729</u>	<u>\$933,893</u>	<u>\$1,835,141</u>	<u>\$11,899,763</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, 2023*

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**Net Change in Fund Balances - Total Governmental Funds** \$1,248,913

*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	3,127,809	
Depreciation	(671,939)	
Total	2,455,870	2,455,870

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

Delinquent Property Taxes	7,521	
Intergovernmental	274,448	
Tuition and Fees	75,638	
Total	357,607	357,607

Other financing sources, such as financed purchase issued, in the governmental funds increase long-term liabilities in the statement of net position. (3,765,000)

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

Accrued Interest	(11,029)	
Accretion on Capital Appreciation Bonds	(346,139)	
Amortization of Accounting Loss	(124,207)	
Amortization of Bond Premium	75,400	
Total	(405,975)	(405,975)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 930,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	78,921	
Accrued Vacation Leave Payable	9,684	
Total	88,605	88,605

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

Pension	1,365,526	
OPEB	32,886	
Total	1,398,412	1,398,412

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

Pension	(1,595,909)	
OPEB	361,710	
Total	(1,234,199)	(1,234,199)

*Change in Net Position of Governmental Activities* \$1,074,233

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, 2023*

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$13,258,992	\$13,258,990	\$12,693,599	(\$565,391)
Intergovernmental	2,087,924	2,087,926	2,644,291	556,365
Interest	177,095	177,095	224,285	47,190
Tuition and Fees	62,246	62,246	78,833	16,587
Extracurricular Activities	103,462	103,462	131,031	27,569
Contributions and Donations	23,416	23,416	29,656	6,240
Charges for Services	9,475	9,475	12,000	2,525
Rentals	1,916	1,916	2,427	511
Miscellaneous	153,466	153,466	194,358	40,892
<i>Total Revenues</i>	<u>15,877,992</u>	<u>15,877,992</u>	<u>16,010,480</u>	<u>132,488</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,483,328	7,481,025	7,195,821	285,204
Special	1,753,567	1,753,027	1,685,374	67,653
Vocational	112,262	112,227	107,896	4,331
Student Intervention Services	94	94	90	4
Support Services:				
Pupil	1,146,114	1,145,761	1,101,544	44,217
Instructional Staff	448,215	448,077	467,582	(19,505)
Board of Education	271,901	271,817	261,327	10,490
Administration	1,040,370	1,040,050	999,912	40,138
Fiscal	555,040	554,869	596,035	(41,166)
Business	57,312	57,294	55,083	2,211
Operation and Maintenance of Plant	1,328,477	1,328,068	1,291,022	37,046
Pupil Transportation	1,161,614	1,161,256	1,116,441	44,815
Central	339,292	339,188	345,330	(6,142)
Other Non-Instructional Services	25,294	25,286	24,310	976
Extracurricular Activities	514,354	514,195	494,351	19,844
<i>Total Expenditures</i>	<u>16,237,234</u>	<u>16,232,234</u>	<u>15,742,118</u>	<u>490,116</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(359,242)	(354,242)	268,362	622,604
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	134,668	134,668
<i>Net Change in Fund Balance</i>	(359,242)	(354,242)	403,030	757,272
<i>Fund Balance Beginning of Year</i>	8,977,609	8,977,609	8,977,609	0
Prior Year Encumbrances Appropriated	231,734	231,734	231,734	0
<i>Fund Balance End of Year</i>	<u>\$8,850,101</u>	<u>\$8,855,101</u>	<u>\$9,612,373</u>	<u>\$757,272</u>

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

The School District was established in 1944 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 25 square miles. It is located mostly in Lake County, partially in Geauga County, and includes all of the territory of the City of Kirtland, and portions of Waite Hill Village, Kirtland Hills Village, Chardon Township and the City of Willoughby. It is staffed by 44 non-certified employees, 80 certified full-time teaching personnel, and 5 administrative employees who provide services to 1,201 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.

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

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 Retro-Rating Program which are presented in Notes 17, 18, 19 and 20 to the basic financial statements.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

***Measurement Focus***

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

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

***Basis of Accounting***

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

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

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



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 22 and 23)

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

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

***Pensions/Other Postemployment Benefits (OPEB)***

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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***Budgetary Data***

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

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

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

***Cash and Cash Equivalents***

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

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

During fiscal year 2023, investments were limited to commercial paper, State Treasury Asset Reserve of Ohio (STAR Ohio), federal home loan bank notes, first American treasury obligations fund, federal farm credit bank notes, federal home loan mortgage corporation notes and negotiable certificates of deposit.

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is appreciated. STAR Ohio reserves the right to limit the transaction to \$250 million per day.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest Earnings/Interest revenue credited to the general fund during fiscal year 2023 amounted to \$272,194, which includes \$107,428 assigned from other School District funds.

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

***Interfund Balances***

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

***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 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. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

***Capital Assets***

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

***Compensated Absences***

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

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

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

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

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

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

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

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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imposed by creditors, grantors or laws or regulations of other governments. Restricted net position for OPEB plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows. Net position restricted for other purposes include resources restricted for athletic programs, food operations, and miscellaneous state and federal grant programs.

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

***Fund Balance***

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

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for uniform school supplies, instructional services and to cover a gap between estimated revenue and appropriations in the fiscal year 2024 budget.

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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***Unearned Revenue***

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***Restricted Assets***

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

***Estimates***

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

**Note 3 – Change in Accounting Principles**

For fiscal year 2023, the School District implemented Governmental Accounting Standards Board (GASB) No. 91, *Conduit Debt Obligations*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The School District did not have any debt that met the definition of conduit debt.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The School District did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The School District did not have any long-term contracts that met the GASB 96 definition of a SBITA.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

**Note 4 - Fund Balance**

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

Fund Balances	General	Construction	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Prepays	\$14,121	\$0	\$0	\$14,121
<b><i>Restricted for:</i></b>				
Food Service	0	0	322,276	322,276
Education Foundation	0	0	80,090	80,090
Preschool Education	0	0	10,363	10,363
Student and Athletics Activities	0	0	160,611	160,611
Non-Public Schools	0	0	24,440	24,440
Technology	0	0	10,800	10,800
Special Education Donations	0	0	460	460
Student Wellness and Success	0	0	5,680	5,680
Debt Service Payments	0	0	475,213	475,213
Capital Improvements	0	933,893	1,153,242	2,087,135
<b><i>Total Restricted</i></b>	<b>0</b>	<b>933,893</b>	<b>2,243,175</b>	<b>3,177,068</b>
<b><i>Committed to:</i></b>				
College Scholarships	0	0	81,782	81,782
Facility Advertising	0	0	97,000	97,000
<b><i>Total Committed</i></b>	<b>0</b>	<b>0</b>	<b>178,782</b>	<b>178,782</b>
<b><i>Assigned to:</i></b>				
Uniform School Supplies	76,177	0	0	76,177
Instructional Services	355,000	0	0	355,000
Purchases on Order				
Instruction	3,215	0	0	3,215
Support Services	276,344	0	0	276,344
Capital Outlay	429,827	0	0	429,827
Fiscal Year 2024 Appropriations	46,508	0	0	46,508
<b><i>Total Assigned</i></b>	<b>1,187,071</b>	<b>0</b>	<b>0</b>	<b>1,187,071</b>
<b><i>Unassigned (Deficit)</i></b>	<b>7,929,537</b>	<b>0</b>	<b>(586,816)</b>	<b>7,342,721</b>
<b><i>Total Fund Balances</i></b>	<b>\$9,130,729</b>	<b>\$933,893</b>	<b>\$1,835,141</b>	<b>\$11,899,763</b>

**Note 5 – Accountability**

The following funds had deficit fund balances at June 30, 2023:

	Amount
<b><i>Special Revenue Funds:</i></b>	
Elementary and Secondary School Emergency Relief	\$456,123
IDEA Part B	78,375
Improving Teacher Quality	16,786
Title I	16,459
Coronavirus Relief	14,938
Drug Free	2,396
Preschool Disabilities	1,688
Title II-D	51

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

**Note 6 - Budgetary Basis of Accounting**

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

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$56,650
Net Adjustment for Revenue Accruals	248,135
Net Adjustment for Expenditure Accruals	141,113
Beginning Fair Value Adjustment for Investments	(98,637)
Ending Fair Value Adjustment for Investments	66,311
Advances In	134,668
Perspective Difference:	
Uniform School Supplies	(8,895)
Encumbrances	(136,315)
	(136,315)
Budget Basis	\$403,030



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**Note 7 – Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

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

***Investments***

As of June 30, 2023, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Amortized Cost:				
Commercial Paper	\$1,755,828	Less than one year	A-1 - A-1+	19.84 %
Net Asset Value Per Share:				
STAR Ohio	3,099,048	Average 38.5 Days	AAAm	N/A
Fair Value - Level One Inputs:				
Federal Home Loan Bank Notes	489,202	Less than two years	AA+	5.53
First American Treasury Obligations Fund	275,694	Less than one year	AAAm	N/A
Federal Farm Credit Bank Notes	144,111	Less than two years	AA+	N/A
Federal Home Loan Mortgage Corporation Notes	96,859	Less than two years	AA+	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposits	<u>2,991,300</u>	Less than two years	N/A	33.79
<i>Total Investments</i>	<u><u>\$8,852,042</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2023. The Federal Home Loan Bank Notes, First American Treasury Obligation Fund, Federal Farm Credit Bank Notes and Federal Home Loan Mortgage Corporation Notes are measured at fair value and is valued using quoted market prices (Level 1 inputs). The negotiable certificates of deposits are measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

**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.** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable certificates of deposits are not rated. 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.

**Note 8 - Receivables**

Receivables at June 30, 2023, consisted of taxes, accounts, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Elementary and Secondary School Emergency Relief	\$456,124
State of Ohio Department of Education	70,127
School Employees Retirement System	30,748
State of Ohio Medicaid Reimbursement	27,236
IDEA Part B	23,446
Title VI-R Class Reduction	16,786
Title I	4,943
Drug Free	2,226
Preschool Disabilities	1,688
Ohio Bureau of Workers Compensation	205
Lakeland Community College	54
Total Intergovernmental Receivable	\$633,583

**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 2023 represent the collection of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed values as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State statute at 35

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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 2023, represent the collection of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, 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, 2023, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2023, 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, 2023 was \$667,833 in the general fund, \$71,388 in the bond retirement fund and \$351,609 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2022 was \$944,428 in the general fund, \$75,032 in the bond retirement fund and \$44,899 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 Second Half Collections		2023 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$404,129,340	96.60 %	\$403,613,520	96.48 %
Public Utility Personal	14,204,620	3.40	14,729,180	3.52
Total	<u>\$418,333,960</u>	<u>100.00 %</u>	<u>\$418,342,700</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$74.33		\$74.31	

**Note 10 – Vacation and Sick Leave**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Upon approval, up to five days may be carried over into the following year. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

month. Sick leave may be accumulated with no maximum limit for all certified and classified personnel hired before the 1985-1986 school year. Employees hired after the 1985-1986 school year are limited to 275 days of sick leave for certified employees. Classified employees who work more than 2,080 hours per year accumulate up to 363 days. Classified employees who work less than 2,080 hours per year accumulate up to 270 sick days. Upon retirement, payment is made for up to 30 days of accumulated sick leave, plus where applicable, one-fourth of accumulated sick leave, days in excess of 120 days, to a maximum of 62 days for certified personnel, and 60 days for classified personnel.

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance 6/30/2022	Additions	Deletions	Balance 6/30/2023
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$813,790	\$0	\$0	\$813,790
Construction in Progress	0	2,435,177	0	2,435,177
<i>Total Capital Assets, not being depreciated</i>	<u>813,790</u>	<u>2,435,177</u>	<u>0</u>	<u>3,248,967</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,682,951	0	0	2,682,951
Buildings and Improvements	21,565,004	407,079	0	21,972,083
Furniture and Equipment	692,741	159,618	0	852,359
Vehicles	2,230,768	125,935	0	2,356,703
<i>Total Capital Assets, being depreciated</i>	<u>27,171,464</u>	<u>692,632</u>	<u>0</u>	<u>27,864,096</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,875,757)	(99,647)	0	(1,975,404)
Buildings and Improvements	(8,661,705)	(410,111)	0	(9,071,816)
Furniture and Equipment	(473,540)	(48,457)	0	(521,997)
Vehicles	(1,900,988)	(113,724)	0	(2,014,712)
<i>Total Accumulated Depreciation</i>	<u>(12,911,990)</u>	<u>(671,939) *</u>	<u>0</u>	<u>(13,583,929)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>14,259,474</u>	<u>20,693</u>	<u>0</u>	<u>14,280,167</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><u>\$15,073,264</u></u>	<u><u>\$2,455,870</u></u>	<u><u>\$0</u></u>	<u><u>\$17,529,134</u></u>

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

Instruction:	
Regular	\$479,943
Special	\$1,445
Instructional Staff	\$1,691
Support Services:	
Board of Education	5,722
Fiscal	4,050
Administration	15,500
Operation and	
Maintenance of Plant	37,614
Pupil Transportation	121,170
Central	577
Food Service Operations	274
Extracurricular Activities	3,953
<i>Total Depreciation Expense</i>	<i>\$671,939</i>

**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 2023, the School District contracted with Ohio School Plan for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$58,307,542
Extra Expense Coverage	1,000,000
Crime	2,100,000
General Liability	11,000,000
Employee Benefits Liability	11,000,000
Employer's Liability	11,000,000
School Leader's Errors and Omissions Liability	11,000,000
Sexual Misconduct and Molestation	11,000,000
Fleet	11,000,000
Uninsured Motorists	1,000,000
Boiler and Machinery	58,307,542
Violence Coverage	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 employee dishonesty/blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

***Employee Medical Coverage***

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

***Workers' Compensation***

For fiscal year 2023, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Retro-Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Health Systems Incorporated provides administrative, cost control and actuarial services to the GRP.

**Note 13 – Interfund Balances**

Interfund balances at June 30, 2023, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General
<b>Major Funds:</b>	
Construction Fund	\$2,645,687
<b>Other Governmental Funds:</b>	
Emergency and Secondary School	
Emergency Relief	411,900
IDEA Part B	34,113
Title VI-R	16,786
Title I	16,459
Coronavirus Relief	14,938
Drug Free	2,396
Preschool Disabilities	1,688
Title II-D	51
Total	\$3,144,018

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

**Note 14 - Contingencies**

***Grants***

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2023.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

**School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the adjustments and they did not have any significant impact on the School District's funding.

**Litigation**

As of June 30, 2023, the School District was not party to any legal proceedings.

**Note 15 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2023 were as follows:

	Principal Outstanding 6/30/22	Additions	Deductions	Principal Outstanding 6/30/23	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds:</b>					
2013 School Improvement Refunding Bonds 1.25 - 3.00%					
Current Interest Serial Bonds	\$7,660,000	\$0	\$0	\$7,660,000	\$0
Capital Appreciation Bonds	14,992	0	5,555	9,437	7,063
Accretion on Capital Appreciation Bonds	776,314	346,139	359,445	763,008	712,937
Premium on Bonds	674,625	0	56,808	617,817	0
2016 School Improvement Refunding Bonds 3.56%					
Current Interest Serial Bonds	1,155,000	0	415,000	740,000	95,000
Premium on Bonds	148,732	0	18,592	130,140	0
<b>Total General Obligation Bonds</b>	<b>10,429,663</b>	<b>346,139</b>	<b>855,400</b>	<b>9,920,402</b>	<b>815,000</b>
Financed Purchase from Direct Borrowing	0	3,765,000	150,000	3,615,000	130,000
Compensated Absences	1,893,678	285,731	364,652	1,814,757	263,531
Net Pension Liability					
SERS	1,928,461	654,997	0	2,583,458	0
STRS	7,691,291	5,690,557	0	13,381,848	0
<b>Total Net Pension Liability</b>	<b>9,619,752</b>	<b>6,345,554</b>	<b>0</b>	<b>15,965,306</b>	<b>0</b>
Net OPEB Liability					
SERS	1,019,123	0	335,402	683,721	0
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$22,962,216</b>	<b>\$10,742,424</b>	<b>\$1,705,454</b>	<b>\$31,999,186</b>	<b>\$1,208,531</b>



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

The final maturity amount of outstanding capital appreciation bonds is \$1,095,000. The accretion recorded for fiscal year 2023 was \$346,139, for a total outstanding bond liability of \$772,445.

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

On July 27, 2022, the School District entered into a \$3,765,000 base lease and lease-purchase agreement with Capital One Public Funding, LLC for the construction of a new stadium and high school building improvements. The initial term of the lease expires on June 30, 2023, with the right to renew for successive one-year terms (with a final partial-year term through June 1, 2042). The lease payments will be paid from property taxes received in the bond retirement fund. The lease proceeds issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. The lease proceeds have been designated to be "qualified tax exempt obligations" within the meaning of 265(b)(3) of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to Capital One Public Funding, LLC, and then subleased back to the School District. The lease proceeds were issued through a series of annual leases with an initial lease term of one year which includes the right to renew for twenty successive one-year terms through fiscal year 2042 subject to annual appropriations. To satisfy the trustee agreements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 4.07 percent. The School District has the option to purchase the renovations on any lease payment date by paying the amount necessary to defease the indenture. The School District's financed purchase has \$967,329 in unspent proceeds (before related retainage payables of \$162,051).

The School District's overall legal debt margin at June 30, 2023 was \$28,933,237 with an unvoted debt margin of \$418,313. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2023, are as follows:

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

	General Obligation Bonds				Financed Purchase from	
	Serial		Capital Appreciation		Direct Borrowing	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$95,000	\$243,466	\$7,063	\$712,937	\$130,000	\$147,130
2025	445,000	235,682	2,374	372,626	135,000	141,840
2026	825,000	218,747	0	0	140,000	136,344
2027	850,000	196,723	0	0	145,000	130,648
2028	875,000	173,064	0	0	155,000	124,746
2029-2034	4,400,000	464,788	0	0	860,000	524,828
2035-2040	910,000	13,650	0	0	1,050,000	334,962
2041-2042	0	0	0	0	1,000,000	103,785
Total	<u>\$8,400,000</u>	<u>\$1,546,120</u>	<u>\$9,437</u>	<u>\$1,085,563</u>	<u>\$3,615,000</u>	<u>\$1,644,283</u>

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

**Note 16 - Set Asides**

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

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2022	\$0
Current Year Set-aside Requirement	247,739
Current Year Offsets	(621,074)
Qualifying Disbursements	(25,971)
Totals	<u>(\$399,306)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2023	<u>\$0</u>

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

**Note 17 - Jointly Governed Organizations**

**Lake Geauga Computer Association** - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 19 member school districts. Each of the participants supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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superintendents and treasurers of the participants. The LGCA's governing board's exercises total control over the operations of the LGCA including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. LGCA's continued existence is not dependent upon the School District's continued participation. In fiscal year 2023, the School District paid \$74,543 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 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 2023, the School District paid \$1,206 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy was the supplier from July 1, 2018 to June 30, 2019 and again from July 1, 2019 through June 30, 2023. There are currently 161 participants in the program. The participants make monthly payments based on estimated usage and estimated prices. Each August, these estimated payments are compared to their actual usage and actual prices for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing. Any School District that requests a refund of their excess amount has the amount returned in November of that fiscal year.

### **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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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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 Jennifer Capo, Treasurer, Perry Local School District, 4325 Manchester Road, Perry, OH 44081.

**Note 19 - Related Organization**

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

**Note 20 - Insurance Purchasing Pool**

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

**Note 21 – Significant Commitments**

***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	\$136,315
Construction Fund	2,144,830
Other Governmental Funds	<u>327,281</u>
Totals	<u><u>\$2,608,426</u></u>

***Contractual Commitments***

At June 30, 2023, the School District had a significant contractual commitment with Marcus Brothers Construction, Inc. in the amount of \$4,520,361, of which \$2,375,531 has been paid to date. The remaining \$2,144,830 of this contract was encumbered at fiscal year end. \$162,051 in retainage payable for governmental activities has been capitalized.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**Note 22 - Defined Benefit Pension Plans**

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

***Net Pension Liability/Net OPEB Liability (Asset)***

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

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

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

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

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

***School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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:

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

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

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

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

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, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$250,332 for fiscal year 2023. Of this amount \$10,241 is reported as an intergovernmental payable.

***State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 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).

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$1,115,194 for fiscal year 2023. Of this amount \$175,927 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, 2022, 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>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04776420%	0.06019691%	
Prior Measurement Date	<u>0.05226590%</u>	<u>0.06015448%</u>	
Change in Proportionate Share	<u><u>-0.00450170%</u></u>	<u><u>0.00004243%</u></u>	
Proportionate Share of the Net			
Pension Liability	\$2,583,458	\$13,381,848	\$15,965,306
Pension Expense	\$180,720	\$1,415,189	\$1,595,909

At June 30, 2023, 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	\$104,632	\$171,304	\$275,936
Changes of assumptions	25,491	1,601,405	1,626,896
Net difference between projected and actual earnings on pension plan investments	0	465,659	465,659
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	68,067	43,616	111,683
School District contributions subsequent to the measurement date	<u>250,332</u>	<u>1,115,194</u>	<u>1,365,526</u>
Total Deferred Outflows of Resources	<u><u>\$448,522</u></u>	<u><u>\$3,397,178</u></u>	<u><u>\$3,845,700</u></u>



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$16,960	\$51,190	\$68,150
Changes of assumptions	0	1,205,398	1,205,398
Net difference between projected and actual earnings on pension plan investments	90,151	0	90,151
Changes in proportionate share and Difference between School District contributions and proportionate share of contributions	<u>167,896</u>	<u>135,567</u>	<u>303,463</u>
Total Deferred Inflows of Resources	<u>\$275,007</u>	<u>\$1,392,155</u>	<u>\$1,667,162</u>

\$1,365,526 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	(\$6,476)	(\$68,011)	(\$74,487)
2025	(91,374)	(37,667)	(129,041)
2026	(128,783)	(361,629)	(490,412)
2027	<u>149,816</u>	<u>1,357,136</u>	<u>1,506,952</u>
Total	<u>(\$76,817)</u>	<u>\$889,829</u>	<u>\$813,012</u>

***Actuarial Assumptions - SERS***

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

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

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.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2023

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

	June 30, 2022
Inflation	2.4 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

**Discount Rate** The total pension liability for 2022 was calculated using the discount rate of 7.00 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 earnings were calculated using the long-term assumed investment rate of

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

return (7.00 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$3,802,729	\$2,583,458	\$1,556,241

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022
Inflation	2.50 percent
Salary increases	From 2.5 percent to 12.5 percent based on age
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

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

\* Target allocation percentage is effective July 1, 2022. Target weights were phased in over a 3 month period concluding on October 1, 2022

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net pension liability	\$20,215,102	\$13,381,848	\$7,603,032

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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**Note 23 - Defined Benefit OPEB Plans**

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

***School Employees Retirement System (SERS)***

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District's surcharge obligation was \$32,886.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$32,886 for fiscal year 2023. Of this amount \$32,886 is reported as an intergovernmental payable.

***State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. 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.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.04869770%	0.06019691%	
Prior Measurement Date	<u>0.05384840%</u>	<u>0.06015448%</u>	
Change in Proportionate Share	<u>-0.00515070%</u>	<u>0.00004243%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$683,721	\$0	\$683,721
Net OPEB (Asset)	\$0	(\$1,558,698)	(\$1,558,698)
OPEB Expense	(\$60,425)	(\$301,285)	(\$361,710)

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$5,748	\$22,595	\$28,343
Changes of assumptions	108,754	66,395	175,149
Net difference between projected and actual earnings on OPEB plan investments	3,554	27,133	30,687
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	117,409	383	117,792
School District contributions subsequent to the measurement date	<u>32,886</u>	<u>0</u>	<u>32,886</u>
Total Deferred Outflows of Resources	<u>\$268,351</u>	<u>\$116,506</u>	<u>\$384,857</u>

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2023

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$437,358	\$234,087	\$671,445
Changes of assumptions	280,672	1,105,267	1,385,939
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>194,386</u>	<u>30,743</u>	<u>225,129</u>
Total Deferred Inflows of Resources	<u>\$912,416</u>	<u>\$1,370,097</u>	<u>\$2,282,513</u>

\$32,886 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	(\$151,231)	(\$377,894)	(\$529,125)
2025	(150,354)	(360,893)	(511,247)
2026	(122,401)	(169,723)	(292,124)
2027	(72,444)	(69,521)	(141,965)
2028	(59,767)	(91,058)	(150,825)
Thereafter	<u>(120,754)</u>	<u>(184,502)</u>	<u>(305,256)</u>
Total	<u>(\$676,951)</u>	<u>(\$1,253,591)</u>	<u>(\$1,930,542)</u>

***Actuarial Assumptions - SERS***

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

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

	June 30, 2022
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 to 4.40 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022, and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$849,192	\$683,721	\$550,141
	1% Decrease (6.00% decreasing to 3.40%)	Current Trend Rate (7.00% decreasing to 4.40%)	1% Increase (8.00% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$527,271	\$683,721	\$888,069

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

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

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2023*

***Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB (asset)	(\$1,440,976)	(\$1,558,698)	(\$1,659,538)
		Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB (asset)	(\$1,616,749)	(\$1,558,698)	(\$1,485,423)

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

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.04776420%	0.05226590%	0.04745490%	0.04612460%
School District's Proportionate Share of the Net Pension Liability	\$2,583,458	\$1,928,461	\$3,138,767	\$2,759,716
School District's Covered Payroll	\$1,788,086	\$1,816,414	\$1,612,293	\$1,625,519
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	144.48%	106.17%	194.68%	169.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%	70.85%

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.05208920%	0.05105650%	0.05717570%	0.06386600%	0.06459500%	0.06459500%
\$2,983,245	\$3,050,513	\$4,184,734	\$3,644,256	\$3,269,116	\$3,841,257
\$1,677,844	\$1,700,064	\$1,770,100	\$1,815,986	\$1,884,595	\$1,889,511
177.80%	179.44%	236.41%	200.68%	173.47%	203.29%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.04869770%	0.05384840%	0.04903290%	0.04731300%
School District's Proportionate Share of the Net OPEB Liability	\$683,721	\$1,019,123	\$1,065,646	\$1,189,821
School District's Covered Payroll	\$1,784,100	\$1,816,414	\$1,612,293	\$1,625,519
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	38.32%	56.11%	66.10%	73.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%	18.17%	15.57%

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

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.05222020%	0.05149530%	0.05773980%
\$1,448,728	\$1,381,998	\$1,645,798
\$1,677,844	\$1,700,064	\$1,770,100
86.34%	81.29%	92.98%
13.57%	12.46%	11.49%

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

	2023	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.06019691%	0.06015448%	0.05968550%	0.05948765%
School District's Proportionate Share of the Net Pension Liability	\$13,381,848	\$7,691,291	\$14,441,768	\$13,155,337
School District's Covered Payroll	\$7,997,693	\$7,481,321	\$7,236,914	\$6,985,050
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	167.32%	102.81%	199.56%	188.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%	77.40%

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

See accompanying notes to the required supplementary information



2019	2018	2017	2016	2015	2014
0.06217164%	0.06313333%	0.06464636%	0.06327032%	0.06026351%	0.06026351%
\$13,670,146	\$14,997,458	\$21,639,085	\$17,486,068	\$14,658,172	\$17,460,718
\$7,094,879	\$7,031,914	\$6,772,036	\$5,954,579	\$5,884,615	\$6,314,408
192.68%	213.28%	301.60%	293.66%	249.09%	276.52%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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

	2023	2022	2021	2020
School District's Proportion of the Net OPEB Liability/Asset	0.06019691%	0.06015448%	0.05968550%	0.05948765%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,558,698)	(\$1,268,308)	(\$1,048,972)	(\$985,258)
School District's Covered Payroll	\$7,997,693	\$7,481,321	\$7,236,914	\$6,985,050
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-19.49%	-16.95%	-14.49%	-14.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	230.70%	174.70%	182.10%	174.70%

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

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.06217164%	0.06313333%	0.06464636%
(\$999,035)	\$2,463,230	\$3,457,304
\$7,094,879	\$7,031,914	\$6,772,036
-14.08%	35.03%	51.05%
176.00%	47.10%	37.30%

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

	2023	2022	2021	2020
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$250,332	\$249,774	\$254,298	\$225,721
Contributions in Relation to the Contractually Required Contribution	<u>(250,332)</u>	<u>(249,774)</u>	<u>(254,298)</u>	<u>(225,721)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,788,086	\$1,784,100	\$1,816,414	\$1,612,293
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$32,886	\$31,078	\$35,279	\$30,502
Contributions in Relation to the Contractually Required Contribution	<u>(32,886)</u>	<u>(31,078)</u>	<u>(35,279)</u>	<u>(30,502)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.84%</u>	<u>1.74%</u>	<u>1.94%</u>	<u>1.89%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.84%</u>	<u>15.74%</u>	<u>15.94%</u>	<u>15.89%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
\$219,445	\$226,509	\$238,009	\$247,814	\$239,347	\$261,205
<u>(219,445)</u>	<u>(226,509)</u>	<u>(238,009)</u>	<u>(247,814)</u>	<u>(239,347)</u>	<u>(261,205)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,625,519	\$1,677,844	\$1,700,064	\$1,770,100	\$1,815,986	\$1,884,595
<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>
\$37,214	\$33,828	\$26,608	\$28,352	\$48,627	\$35,443
<u>(37,214)</u>	<u>(33,828)</u>	<u>(26,608)</u>	<u>(28,352)</u>	<u>(48,627)</u>	<u>(35,443)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.29%</u>	<u>2.02%</u>	<u>1.57%</u>	<u>1.60%</u>	<u>2.68%</u>	<u>1.88%</u>
<u>15.79%</u>	<u>15.52%</u>	<u>15.57%</u>	<u>15.60%</u>	<u>15.86%</u>	<u>15.74%</u>

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

	2023	2022	2021	2020
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,115,194	\$1,119,677	\$1,047,385	\$1,013,168
Contributions in Relation to the Contractually Required Contribution	<u>(1,115,194)</u>	<u>(1,119,677)</u>	<u>(1,047,385)</u>	<u>(1,013,168)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$7,965,671	\$7,997,693	\$7,481,321	\$7,236,914
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
\$977,907	\$993,283	\$984,468	\$948,085	\$833,641	\$765,600
(977,907)	(993,283)	(984,468)	(948,085)	(833,641)	(765,600)
\$0	\$0	\$0	\$0	\$0	\$0
\$6,985,050	\$7,094,879	\$7,031,914	\$6,772,036	\$5,954,579	\$5,884,615
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%
\$0	\$0	\$0	\$0	\$0	\$58,892
0	0	0	0	0	(58,892)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

**Kirtland Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

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**Net Pension Liability**

**Changes in Assumptions – SERS**

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

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

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

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

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

**Changes in Assumptions - STRS**

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



**Kirtland Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	From 2.5 percent to 12.5 percent based on age	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA commences on fifth anniversary of retirement date

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

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

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

**Changes in Benefit Term – STRS**

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

**Kirtland Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

**Net OPEB Liability (Asset)**

**Changes in Assumptions – SERS**

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

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

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

Municipal Bond Index Rate:	
Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Changes in Assumptions – STRS**

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

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

**Kirtland Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2023*

---

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

For fiscal year 2023, the projected salary increases were changed from age based (2.5 percent to 12.50 percent) to service based (2.5 percent to 8.5 percent.)

**Changes in Benefit Terms – STRS**

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

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

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

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

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

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

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KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555	103989 - 3L70-23	\$ 81,461
Total - National School Lunch Program			<u>81,461</u>
Total - Child Nutrition Cluster			<u>81,461</u>
Total U.S. Department of Agriculture			<u><b>81,461</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027A	103989 - 3M20-23	222,465
	84.027X	103989 - 3M20-23	16,006
Total - Special Education Grants to States			<u>238,471</u>
Special Education Preschool Grants	84.173A	103989 - 3C50-23	5,299
Total - Special Education Cluster			<u>243,770</u>
OFCC Safety Grant Award	21.027	103989-5CV3-23	<u>92,992</u>
Title I Grant to Local Educational Agencies	84.010A	103989-3M00-23	87,970
Total- Title I Grants to Local Educational Agencies			<u>87,970</u>
Supporting Effective Instruction State Grant	84.367A	103989-3Y60-23	18,896
Total - Supporting Effective Instruction State Grant			<u>18,896</u>
Student Support and Academic Enrichment Title IV-A	84.424	103989-3H10-23	30,661
			<u>30,661</u>
<u>Education Stabilization Fund</u>			
Elementary and Secondary School Emergency Relief Fund III	84.425U	103989-3HS0-23	337,806
Elementary and Secondary School Emergency Relief Fund II	84.425D	103989-3HS0-22	119,716
Total - Education Stabilization Fund			<u>457,522</u>
Total U.S. Department of Education			<u><b>931,811</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 1,013,272</b></u>

The accompanying notes are an integral part of this schedule.

**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Kirtland Local School District (the District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with DEW's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2022 to 2023 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt. Transferred</u>
Title I-A Improving Basic Programs	84.010	\$ 4,214.77
Expanding Opportunities for Each Child	84.010	4,165.51
Title II-A Supporting Effective Instruction	84.367	32,790.06
Title IV-A Student Support and Academic Enrichment	84.424	10,742.26
IDEA-B Special Education	84.027	11,828.33
IDEA Early Childhood Special Education	84.173	1,071.27
ARP ESSER	84.425U	352,926.67
ESSER II	84.425D	80,584.59
ARP IDEA	84.027X	15,894.69
ARP Early Childhood Special Education	84.173X	2,660.75

# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 29, 2024.

### ***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a significant deficiency.

***Report on Compliance and Other Matters***

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

***District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

April 29, 2024



# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited Kirtland Local School District's, Lake County, Ohio (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Kirtland Local School District's major federal program for the year ended June 30, 2023. Kirtland Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Kirtland Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 29, 2024

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**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2023**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	➤ COVID-19 Education Stabilization Fund AL# 84.425
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER – 2023-001**

**Significant Deficiency - Capital Assets**

Kirtland Local School District Bylaws & Policies Section 7450 – Property Inventory indicates, in part, as steward of this District's school property, the Board of Education recognizes that efficient management and full replacement upon loss requires accurate inventory and properly maintained property records. The Board shall conduct a complete inventory by physical count of all Board-owned equipment and supplies annually. It shall be the duty of the Treasurer to ensure that inventories are systematically and accurately recorded and property records of equipment are updated and adjusted annually by reference to purchase orders and withdrawal reports.

**FINDING NUMBER – 2023-001 – (Continued)**

**Significant Deficiency - Capital Assets – (Continued)**

The District maintains detailed capital asset inventory which was prepared by a third-party appraisal service. However, the detailed inventory listing excluded \$6,759,119 of various capital assets related to buildings, building improvements, and vehicles (net of accumulated depreciation) at June 30, 2023. These additional items, dating back to fiscal year 2012, were tracked on separate spreadsheets but were not updated to the master asset list.

The majority of these differences date back to 2012 which was the first year the District prepared GAAP basis financial statements. At that time, to convert its cash-basis financial statements to accrual basis statements, the District contracted with a third-party appraisal firm to prepare a master capital asset list. However, this master list excluded \$6,916,984 of building related capital assets acquisition costs dating back to 2007. These items are detailed on a client prepared spreadsheet from 2012 but have never been inputted and updated to the master listing. However, \$69,686 of various capital assets related to vehicles and furniture, fixtures, and equipment (net of accumulated depreciation), could not be tied to the individual assets that made up that value for fiscal year 2023.

Failure to update the master inventory list annually inhibits management's ability to monitor its capital asset inventory. It also compromises the integrity of the reported information which could lead to financial statement errors.

The City should annually update its master capital assets inventory and ensure the reported balances include all asset categories and agree with the reported financial statement amounts.

**Officials' Response:** See Corrective Action Plan

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None.



# KIRTLAND LOCAL SCHOOLS

**Kirtland • Kirtland Hills • Waite Hill • Chardon Township**

9252 CHILLICOTHE ROAD, KIRTLAND, OHIO 44094 (440) 256-3360 FAX: (440) 256-3831

*Recognized Nationally and State-Wide for Educational Excellence*

## **SUPERINTENDENT OF SCHOOLS**

**Mr. Chad VanArnhem**

## **TREASURER**

**Ryan Pendleton**

## **BOARD OF EDUCATION**

**Joshua Hayes, President**

**Shannon Green, Vice President**

**Dr. Matthew Whittaker**

**Sheila Dikowicz**

**Jonathan Withrow**

## **CORRECTIVE ACTION PLAN**

**2 CFR § 200.511(c)**

**DECEMBER 31, 2023**

**Finding Number:** 2023-001

**Planned Corrective Action:** The district will continue to work with the 3<sup>rd</sup> party asset management company to bring all of the assets to the master asset listing and ensure the reported balances include all asset categories and agree with the financial statement amounts.

**Anticipated Completion Date:** December 2024

**Responsible Contact Person:** Ryan Pendleton, Treasurer







**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2022**



**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
<u>Fiscal Year 2022:</u>	
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	14
Statement of Activities .....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund .....	20
Notes to the Basic Financial Statements .....	21
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio Last Nine Fiscal Years .....	60
Schedule of the School District's Proportionate Share of the Net OPEB Liability School Employees Retirement System of Ohio Last Six Fiscal Years .....	62
Schedule of the School District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio Last Nine Fiscal Years .....	64

**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
<u>Fiscal Year 2022 – (Continued):</u>	
Schedule of the School District’s Proportionate Share of the Net OPEB Liability (Asset) State Teachers Retirement System of Ohio Last Six Fiscal Years .....	66
Schedule of the School District’s Contributions School Employees Retirement System of Ohio Last Ten Fiscal Years .....	68
Schedule of the School District’s Contributions State Teachers Retirement System of Ohio Last Ten Fiscal Years .....	70
Notes to the Required Supplementary Information .....	72
Prepared by Management:	
Schedule of Expenditures of Federal Awards .....	77
Notes to the Schedule of Expenditures of Federal Awards .....	78
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	79
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	81
Schedule of Findings .....	85
Corrective Action Plan .....	87

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

**Required Supplementary Information**

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

**Supplementary Information**

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 29, 2024

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**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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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, 2022. 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 2022 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 2022, the School District continued to provide professional development for staff members as more technology is introduced into the curriculum and classrooms.
- General revenues accounted for the majority of all revenues, with tax revenues representing the largest share of those revenues. Specific program revenues in the form of charges for services and operating grants, and contributions accounted for the remainder of all revenues.

### **Using this Annual Financial Report**

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

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

### **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 2022?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting, used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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

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

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

#### *Fund Financial Statements*

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

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

### **The School District as a Whole**

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for 2022 compared to 2021.

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

Table 1  
Net Position  
Governmental Activities

	2022	2021 (Restated)	Change
<b>Assets</b>			
Current and Other Assets	\$24,929,982	\$23,281,395	\$1,648,587
Net OPEB Asset	1,268,308	1,048,972	219,336
Capital Assets, Net	15,073,264	15,385,650	(312,386)
<b>Total Assets</b>	<b>41,271,554</b>	<b>39,785,689</b>	<b>1,555,537</b>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	230,285	370,096	(139,811)
Pension	4,042,056	3,075,036	967,020
OPEB	473,536	401,853	71,683
<i>Total Deferred Outflows of Resources</i>	<i>4,745,877</i>	<i>3,846,985</i>	<i>898,892</i>
<b>Liabilities</b>			
Current Liabilities	1,835,767	1,829,397	(6,370)
Long-Term Liabilities:			
Due Within One Year	1,144,652	1,090,929	(53,723)
Due in More than One Year:			
Net Pension Liability	9,619,752	17,580,535	7,960,783
Net OPEB Liability	1,019,123	1,065,646	46,523
Other Amounts Due in More Than One Year	11,178,689	11,599,718	421,029
<b>Total Liabilities</b>	<b>24,797,983</b>	<b>33,166,225</b>	<b>8,368,242</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	12,090,586	11,335,314	(755,272)
Pension	7,978,689	655,408	(7,323,281)
OPEB	2,139,996	1,946,961	(193,035)
<i>Total Deferred Inflows of Resources</i>	<i>22,209,271</i>	<i>13,937,683</i>	<i>(8,271,588)</i>
<b>Net Position</b>			
Net Investment in Capital Assets	5,650,200	5,260,365	389,835
Restricted For:			
Capital Projects	404,840	317,094	87,746
Debt Service	697,213	623,216	73,997
Other Purposes	659,894	362,649	297,245
Unrestricted (Deficit)	(8,401,970)	(10,104,230)	1,702,260
<b>Total Net Position</b>	<b>(\$989,823)</b>	<b>(\$3,540,906)</b>	<b>\$2,551,083</b>

The net pension liability (NPL) is one of the largest single liability reported by the School District at June 30, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Net position increased primarily as a result of an increase in the property tax and intergovernmental receivable.

Table 2 shows the changes in net position for fiscal years 2022 compared to 2021.

Table 2  
 Changes in Position  
 Governmental Activities

	<u>2022</u>	<u>2021 (Restated)</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$621,856	\$316,221	\$305,635
Operating Grants and Contributions	1,548,986	726,480	822,506
Capital Grants and Contributions	0	5,991	(5,991)
<i>Total Program Revenues</i>	<u>2,170,842</u>	<u>1,048,692</u>	<u>1,122,150</u>
General Revenues:			
Property Taxes	13,648,258	12,801,982	846,276
Grant and Entitlements	2,728,306	2,260,753	467,553
Unrestricted Contributions and Donations	30,537	16,630	13,907
Investment Earnings	(77,975)	14,780	(92,755)
Miscellaneous	128,220	371,191	(242,971)
<i>Total General Revenues</i>	<u>16,457,346</u>	<u>15,465,336</u>	<u>992,010</u>
<i>Total Revenues</i>	<u>\$18,628,188</u>	<u>\$16,514,028</u>	<u>\$2,114,160</u>

*(continued)*

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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

	<u>2022</u>	<u>2021 (Restated)</u>	<u>Change</u>
<b>Program Expenses</b>			
Instruction	\$8,742,098	\$9,902,082	\$1,159,984
Support Services:			
Pupil	931,093	1,298,308	367,215
Instructional Staff	272,723	256,124	(16,599)
Board of Education	291,638	218,541	(73,097)
Administration	895,860	1,070,134	174,274
Fiscal	454,215	446,324	(7,891)
Business	39,705	42,533	2,828
Operation and Maintenance of Plant	1,400,305	1,127,954	(272,351)
Pupil Transportation	984,674	1,068,029	83,355
Central	356,918	299,246	(57,672)
Food Service Operations	268,087	208,225	(59,862)
Other Non-Instructional Services	63,511	0	(63,511)
Extracurricular Activities	760,702	674,015	(86,687)
Interest and Fiscal Charges	615,576	540,204	(75,372)
<i>Total Program Expenses</i>	<u>16,077,105</u>	<u>17,151,719</u>	<u>1,074,614</u>
<i>Change in Net Position</i>	2,551,083	(637,691)	3,188,774
<i>Net Position Beginning of Year</i>	<u>(3,540,906)</u>	<u>(2,903,215)</u>	<u>(637,691)</u>
<i>Net Position End of Year</i>	<u>(\$989,823)</u>	<u>(\$3,540,906)</u>	<u>\$2,551,083</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 \$13,648,258 in fiscal year 2022. 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 during fiscal year 2022 due to changes in grant funding. Capital grants and contributions decreased during fiscal year 2022 due to changes in grant funding. The combination of taxes and intergovernmental funding 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 54.38 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 8.71 percent of expenses for fiscal year 2022.

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 2022 and 2021. 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, 2022*  
*Unaudited*

Table 3  
 Governmental Activities

	2022		2021 (Restated)	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
Instruction	\$8,742,098	(\$7,474,708)	\$9,902,082	(\$9,362,490)
Support Services:				
Pupil	931,093	(930,194)	1,298,308	(1,227,316)
Instructional Staff	272,723	(216,407)	256,124	(246,831)
Board of Education	291,638	(291,638)	218,541	(218,541)
Administration	895,860	(895,860)	1,070,134	(1,070,134)
Fiscal	454,215	(454,215)	446,324	(446,324)
Business	39,705	(39,705)	42,533	(42,533)
Operation and Maintenance of Plant	1,400,305	(1,391,418)	1,127,954	(1,127,954)
Pupil Transportation	984,674	(984,674)	1,068,029	(1,062,038)
Central	356,918	(347,596)	299,246	(293,846)
Food Service Operations	268,087	216,415	208,225	41,957
Other Non-Instructional Services	63,511	(18,737)	0	0
Extracurricular Activities	760,702	(461,950)	674,015	(506,773)
Interest and Fiscal Charges	615,576	(615,576)	540,204	(540,204)
Total Expenses	<u>\$16,077,105</u>	<u>(\$13,906,263)</u>	<u>\$17,151,719</u>	<u>(\$16,103,027)</u>

**The School District's Funds**

Information regarding the School District's major funds starts on page 16. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's major fund is the general fund. All governmental funds had total revenues of \$18,464,884 and expenditures of \$17,739,926.

The general fund had an increase in fund balance of \$398,711 for fiscal year 2022, due to increases in revenues outpacing expenditure increases. Property taxes and intergovernmental revenues increased during the year. Property tax increases can be attributed to the increase in assessed valuations.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2022, the School District amended its general fund budget a number of times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the actual revenues were \$57,238 under final budgeted revenues. Final budgeted expenditures were \$15,510,185, while actual expenditures were \$14,948,955. The School District monitors the budget on a monthly basis to keep it in line with current expenditures.

**Kirtland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

**Capital Assets and Debt Administration**

*Capital Assets*

Table 4 details fiscal year 2022 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

	2022	2021
Land	\$813,790	\$813,790
Construction in Progress	0	34,786
Land Improvements	807,194	906,841
Buildings and Improvements	12,903,299	13,085,287
Furniture and Equipment	219,201	194,366
Vehicles	329,780	350,580
Total	\$15,073,264	\$15,385,650

A decrease in capital assets is the result of an additional year of annual depreciation on all capital assets other than land exceeding capital asset additions. Additions included a new school bus, tractor, floor scrubber and finishing restroom renovations as well as various other School District renovations.

*Debt Administration*

At June 30, 2022, the School District had \$10,429,663 in bonds outstanding with \$780,000 due within one year. Table 5 summarizes general obligation bonds outstanding for governmental activities for fiscal years 2022 and 2021.

Table 5  
 Outstanding Debt at June 30

	2022	2021
2013 School Improvement Refunding Bonds	\$9,125,931	\$9,021,776
2016 School Improvement Refunding Bonds	1,303,732	1,947,324
Total Debt	\$10,429,663	\$10,969,100

The School District's overall legal debt margin at June 30, 2022 was \$28,748,740 with an unvoted debt margin of \$418,334. 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, 2022*  
*Unaudited*

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**Current Issues**

The School District remains dependent upon local revenue to support the high quality educational programs. Currently 73.54 percent of total operating fund revenue is local property tax revenue. The Board of Education has practiced fiscal prudence and slowed the year over year growth of operating fund expenses, and has thoughtfully overseen the use on operating fund levy proceeds. As a result of State funding policies for public education there is no year over year growth in total operating fund revenues. This places great importance in gaining community support for renewing all existing operating levy issues.

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

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



## **Basic Financial Statements**

**Kirtland Local School District***Statement of Net Position**June 30, 2022*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,268,797
Accrued Interest Receivable	12,576
Accounts Receivable	31,138
Intergovernmental Receivable	270,733
Prepaid Items	9,181
Property Taxes Receivable	13,337,557
Nondepreciable Capital Assets	813,790
Depreciable Capital Assets, Net	14,259,474
Net OPEB Asset	1,268,308
	<u>41,271,554</u>
<i>Total Assets</i>	<u>41,271,554</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	230,285
Pension	4,042,056
OPEB	473,536
	<u>4,745,877</u>
<i>Total Deferred Outflows of Resources</i>	<u>4,745,877</u>
<b>Liabilities</b>	
Accounts Payable	86,626
Accrued Wages and Benefits	1,380,120
Intergovernmental Payable	290,834
Accrued Interest Payable	21,661
Accrued Vacation Leave Payable	56,526
Long-Term Liabilities:	
Due Within One Year	1,144,652
Due In More Than One Year:	
Net Pension Liability (See Note 22)	9,619,752
Net OPEB Liability (See Note 23)	1,019,123
Other Amounts Due in More Than One Year	11,178,689
	<u>24,797,983</u>
<i>Total Liabilities</i>	<u>24,797,983</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	12,090,586
Pension	7,978,689
OPEB	2,139,996
	<u>22,209,271</u>
<i>Total Deferred Inflows of Resources</i>	<u>22,209,271</u>
<b>Net Position</b>	
Net Investment in Capital Assets	5,650,200
Restricted for:	
Capital Projects	404,840
Debt Service	697,213
Other Purposes	659,894
Unrestricted (Deficit)	(8,401,970)
	<u>(\$989,823)</u>
<i>Total Net Position</i>	<u>(\$989,823)</u>

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$6,623,211	\$314,998	\$173,371	(\$6,134,842)
Special	2,064,144	0	778,977	(1,285,167)
Vocational	54,295	0	44	(54,251)
Student Intervention Services	448	0	0	(448)
Support Services:				
Pupil	931,093	0	899	(930,194)
Instructional Staff	272,723	0	56,316	(216,407)
Board of Education	291,638	0	0	(291,638)
Administration	895,860	0	0	(895,860)
Fiscal	454,215	0	0	(454,215)
Business	39,705	0	0	(39,705)
Operation and Maintenance of Plant	1,400,305	3,522	5,365	(1,391,418)
Pupil Transportation	984,674	0	0	(984,674)
Central	356,918	0	9,322	(347,596)
Food Service Operations	268,087	35,843	448,659	216,415
Other Non-Instructional Services	63,511	0	44,774	(18,737)
Extracurricular Activities	760,702	267,493	31,259	(461,950)
Interest and Fiscal Charges	615,576	0	0	(615,576)
<b>Totals</b>	<b>\$16,077,105</b>	<b>\$621,856</b>	<b>\$1,548,986</b>	<b>(13,906,263)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
				12,229,091
				965,655
				453,512
Grants and Entitlements not Restricted				
				2,728,306
Unrestricted Contributions and Donations				
				30,537
Investment Earnings				
				(77,975)
Miscellaneous				
				128,220
				<u>16,457,346</u>
				Change in Net Position
				2,551,083
				<i>Net Position Beginning of Year -</i>
				<i>Restated (See Note 3)</i>
				<u>(3,540,906)</u>
				<i>Net Position End of Year</i>
				<u>(\$989,823)</u>

See accompanying notes to the basic financial statements

**Kirtland Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2022*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$9,532,987	\$1,735,810	\$11,268,797
Accrued Interest Receivable	12,576	0	12,576
Accounts Receivable	17,738	13,400	31,138
Intergovernmental Receivable	89,595	181,138	270,733
Interfund Receivable	214,089	0	214,089
Prepaid Items	9,181	0	9,181
Property Taxes Receivable	<u>11,887,375</u>	<u>1,450,182</u>	<u>13,337,557</u>
<i>Total Assets</i>	<u><u>\$21,763,541</u></u>	<u><u>\$3,380,530</u></u>	<u><u>\$25,144,071</u></u>
<b>Liabilities</b>			
Accounts Payable	\$60,507	\$26,119	\$86,626
Accrued Wages and Benefits	1,337,759	42,361	1,380,120
Interfund Payable	0	214,089	214,089
Intergovernmental Payable	<u>281,033</u>	<u>9,801</u>	<u>290,834</u>
<i>Total Liabilities</i>	<u>1,679,299</u>	<u>292,370</u>	<u>1,971,669</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	10,781,589	1,308,997	12,090,586
Unavailable Revenue	<u>228,574</u>	<u>202,392</u>	<u>430,966</u>
<i>Total Deferred Inflows of Resources</i>	<u>11,010,163</u>	<u>1,511,389</u>	<u>12,521,552</u>
<b>Fund Balances</b>			
Nonspendable	9,181	0	9,181
Restricted	0	1,762,354	1,762,354
Committed	0	80,745	80,745
Assigned	692,874	0	692,874
Unassigned (Deficit)	<u>8,372,024</u>	<u>(266,328)</u>	<u>8,105,696</u>
<i>Total Fund Balances</i>	<u>9,074,079</u>	<u>1,576,771</u>	<u>10,650,850</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u><u>\$21,763,541</u></u>	<u><u>\$3,380,530</u></u>	<u><u>\$25,144,071</u></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, 2022*

<b>Total Governmental Fund Balances</b>	<b>\$10,650,850</b>
 <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.	15,073,264
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	182,612
Intergovernmental	230,765
Tuition and Fees	<u>17,589</u>
Total	430,966
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.	230,285
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(10,429,663)
Compensated Absences Payable	<u>(1,893,678)</u>
Total	(12,323,341)
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.	(21,661)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(56,526)
The net pension liability and net OPEB asset/liability is not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	4,042,056
Deferred Inflows - Pension	(7,978,689)
Net Pension Liability	(9,619,752)
Net OPEB Asset	1,268,308
Deferred Outflows - OPEB	473,536
Deferred Inflows - OPEB	(2,139,996)
Net OPEB Liability	<u>(1,019,123)</u>
Total	<u>(14,973,660)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$989,823)</u></u>

See accompanying notes to the basic financial statements

**Kirtland Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2022*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$12,213,042	\$1,414,803	\$13,627,845
Intergovernmental	2,637,115	1,465,673	4,102,788
Interest	(78,386)	411	(77,975)
Tuition and Fees	229,796	40,849	270,645
Extracurricular Activities	54,535	212,958	267,493
Contributions and Donations	30,537	34,280	64,817
Charges for Services	39,356	35,843	75,199
Rentals	3,522	0	3,522
Miscellaneous	130,472	78	130,550
<i>Total Revenues</i>	<u>15,259,989</u>	<u>3,204,895</u>	<u>18,464,884</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,915,251	203,177	7,118,428
Special	1,616,311	641,142	2,257,453
Vocational	54,295	0	54,295
Student Intervention Services	448	0	448
Support Services:			
Pupil	1,062,839	24,579	1,087,418
Instructional Staff	254,978	59,087	314,065
Board of Education	285,915	0	285,915
Administration	983,184	7,542	990,726
Fiscal	466,742	17,089	483,831
Business	39,705	0	39,705
Operation and Maintenance of Plant	1,249,157	306,083	1,555,240
Pupil Transportation	1,054,539	0	1,054,539
Central	319,243	40,336	359,579
Food Service Operations	0	267,870	267,870
Other Non-Instructional Services	18,448	45,063	63,511
Extracurricular Activities	490,680	268,140	758,820
Capital Outlay	0	30,827	30,827
Debt Service:			
Principal Retirement	0	745,000	745,000
Interest and Fiscal Charges	0	272,256	272,256
<i>Total Expenditures</i>	<u>14,811,735</u>	<u>2,928,191</u>	<u>17,739,926</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>448,254</u>	<u>276,704</u>	<u>724,958</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	49,543	49,543
Transfers Out	(49,543)	0	(49,543)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,543)</u>	<u>49,543</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	398,711	326,247	724,958
<i>Fund Balances Beginning of Year</i>	<u>8,675,368</u>	<u>1,250,524</u>	<u>9,925,892</u>
<i>Fund Balances End of Year</i>	<u><u>\$9,074,079</u></u>	<u><u>\$1,576,771</u></u>	<u><u>\$10,650,850</u></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, 2022*

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**Net Change in Fund Balances - Total Governmental Funds** \$724,958

*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 depreciation exceeded capital outlay in the current period.

Capital Outlay	349,146	
Depreciation	(661,532)	
Total		(312,386)

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

Delinquent Property Taxes	20,413	
Intergovernmental	140,224	
Tuition and Fees	4,997	
Miscellaneous	(2,330)	
Total		163,304

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

Accrued Interest	2,054	
Accretion on Capital Appreciation Bonds	(280,963)	
Amortization of Accounting Loss	(139,811)	
Amortization of Bond Premium	75,400	
Total		(343,320)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 745,000

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	(172,131)	
Accrued Vacation Leave Payable	(3,371)	
Total		(175,502)

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

Pension	1,369,451	
OPEB	31,078	
Total		1,400,529

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

Pension	235,071	
OPEB	113,429	
Total		348,500

*Change in Net Position of Governmental Activities* \$2,551,083

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, 2022*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$12,743,405	\$12,743,405	\$12,293,259	(\$450,146)
Intergovernmental	3,339,891	2,259,611	2,598,706	339,095
Interest	9,864	6,674	7,675	1,001
Tuition and Fees	188,230	127,347	146,458	19,111
Extracurricular Activities	70,089	47,419	54,535	7,116
Contributions and Donations	39,247	26,552	30,537	3,985
Charges for Services	50,581	34,221	39,356	5,135
Rentals	4,527	3,062	3,522	460
Miscellaneous	167,493	113,318	130,323	17,005
<i>Total Revenues</i>	16,613,327	15,361,609	15,304,371	(57,238)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,314,552	7,185,204	6,820,484	364,720
Special	1,693,616	1,663,667	1,578,674	84,993
Vocational	58,046	57,019	54,704	2,315
Student Intervention Services	481	472	448	24
Support Services:				
Pupil	1,180,362	1,159,488	1,100,209	59,279
Instructional Staff	267,054	262,332	251,419	10,913
Board of Education	307,949	302,504	287,158	15,346
Administration	1,058,311	1,039,596	993,015	46,581
Fiscal	502,137	493,257	568,618	(75,361)
Business	34,093	33,490	31,778	1,712
Operation and Maintenance of Plant	1,346,437	1,322,627	1,267,376	55,251
Pupil Transportation	1,144,154	1,123,921	1,161,110	(37,189)
Central	341,883	335,837	330,327	5,510
Operation of Non-Instructional Services:				
Community Services	16,343	16,054	15,233	821
Extracurricular Activities	523,983	514,717	488,402	26,315
<i>Total Expenditures</i>	15,789,401	15,510,185	14,948,955	561,230
<i>Excess of Revenues Over (Under) Expenditures</i>	823,926	(148,576)	355,416	503,992
<b>Other Financing Sources (Uses)</b>				
Advances Out	0	(162,673)	(162,673)	0
Transfers Out	0	(49,543)	(49,543)	0
<i>Total Other Financing Sources (Uses)</i>	0	(212,216)	(212,216)	0
<i>Net Change in Fund Balance</i>	823,926	(360,792)	143,200	503,992
<i>Fund Balance Beginning of Year</i>	8,802,200	8,802,200	8,802,200	0
Prior Year Encumbrances Appropriated	32,209	32,209	32,209	0
<i>Fund Balance End of Year</i>	\$9,658,335	\$8,473,617	\$8,977,609	\$503,992

See accompanying notes to the basic financial statements



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**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 33 non-certified employees, 79 certified full-time teaching personnel, and 5 administrative employees who provide services to 1,149 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.

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

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 Retro-Rating Program which are presented in Notes 17, 18, 19 and 20 to the basic financial statements.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

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

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

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

**Measurement Focus**

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

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

**Basis of Accounting**

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

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 22 and 23)

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

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

***Pensions/Other Postemployment Benefits (OPEB)***

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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***Budgetary Data***

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

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

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

***Cash and Cash Equivalents***

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

During fiscal year 2022, investments were limited to commercial paper, State Treasury Asset Reserve of Ohio (STAR Ohio), first American treasury obligations fund and nonnegotiable certificates of deposit.

Investments, except for commercial paper and STAR Ohio, are reported at fair value which is based on quoted market prices, with the exception of nonnegotiable certificates of deposit, which are reported at cost. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year. The fair value of investments related to School District funds declined during 2022 resulting in negative investment earnings of \$77,975.

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

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transactions

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 2022 amounted to (\$78,386), which includes (\$12,422) assigned from other School District funds.

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

***Interfund Balances***

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

***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 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 receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

***Capital Assets***

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

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

***Internal Activity***

Transfers between governmental funds 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Compensated Absences***

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

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

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

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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***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.

***Fund Balance***

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

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for uniform school supplies, instructional services and to cover a gap between estimated revenue and appropriations in the fiscal year 2023 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.



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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.

**Note 3 – Change in Accounting Principles and Restatement of Fund Balances and Net Position**

***Change in Accounting Principles***

For fiscal year 2022, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

GASB Statement 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District did not have any contracts that met the GASB 87 definition of a lease.

The School District is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92 – *Omnibus 2020*, and GASB Statement No. 97 -- *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the School District’s 2022 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2022, the School District modified its approach related to the eligibility requirements of certain School District grants resulting in the following restatements to fund balance/net position at July 1, 2021:

***Restatement of Net Position***

The grant restatement had the following effect on net position as of June 30, 2021:

	Governmental Activities
Net Position June 30, 2021	(\$3,471,234)
Adjustments:	
Intergovernmental Receivable	(69,672)
Restated Net Position June 30, 2021	(\$3,540,906)

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

**Note 4 – Accountability**

The following funds had deficit fund balances at June 30, 2022:

	Amount
<b><i>Special Revenue Funds:</i></b>	
IDEA Part B	\$111,793
ESSER	96,570
Title I	22,292
Corona Virus Relief	14,938
Improving Teacher Quality	16,786
Preschool Disabilities	3,898
Title II-D	51

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

**Note 5 - Fund Balance**

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

Fund Balances	General	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>			
Prepays	\$9,181	\$0	\$9,181
<b><i>Restricted for:</i></b>			
Food Service	0	308,763	308,763
Education Foundation	0	80,289	80,289
Preschool Education	0	16,368	16,368
Student and Athletics Activities	0	193,135	193,135
Non-Public Schools	0	24,440	24,440
Technology	0	5,400	5,400
Special Education Donations	0	460	460
Student Wellness and Success	0	31,039	31,039
Debt Service Payments	0	704,990	704,990
Capital Improvements	0	397,470	397,470
<b><i>Total Restricted</i></b>	<b>\$0</b>	<b>\$1,762,354</b>	<b>\$1,762,354</b>

(continued)

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

Fund Balances	General	Other Governmental Funds	Total
<b><i>Committed to:</i></b>			
College Scholarships	\$0	\$80,745	\$80,745
<b><i>Assigned to:</i></b>			
Uniform School Supplies	64,481	0	64,481
Instructional Services	355,000	0	355,000
Purchases on Order			
Instruction	3,215	0	3,215
Support Services	223,670	0	223,670
Fiscal Year 2023 Appropriations	46,508	0	46,508
<i>Total Assigned</i>	<u>692,874</u>	<u>0</u>	<u>692,874</u>
<b><i>Unassigned (Deficit)</i></b>	<u>8,372,024</u>	<u>(266,328)</u>	<u>8,105,696</u>
<i>Total Fund Balances</i>	<u>\$9,074,079</u>	<u>\$1,576,771</u>	<u>\$10,650,850</u>

**Note 6 - Budgetary Basis of Accounting**

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

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

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

Net Change in Fund Balance	
GAAP Basis	\$398,711
Net Adjustment for Revenue Accruals	29,802
Net Adjustment for Expenditure Accruals	14,354
Beginning Fair Value Adjustment for Investments	0
Ending Fair Value Adjustment for Investments	98,637
Advances Out	(162,673)
Perspective Difference:	
Uniform School Supplies	(3,897)
Encumbrances	<u>(231,734)</u>
Budget Basis	<u><u>\$143,200</u></u>

**Note 7 – Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

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

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

***Investments***

Investments are reported at fair value. As of June 30, 2022, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Amortized Cost:				
Commercial Paper	\$1,450,225	Less than one year	A-1 - A-1+	31.47 %
Net Asset Value Per Share:				
STAR Ohio	464,479	Average 35.3 Days	AAAm	10.08
Fair Value - Level One Inputs:				
First American Treasury Obligations Fund	7,116	Less than one year	AAAm	0.15
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposits	<u>2,687,156</u>	Less than two years	N/A	58.30
<i>Total Investments</i>	<u><u>\$4,608,976</u></u>			

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District’s recurring fair value measurements as of June 30, 2022. The School District’s investments, except STAR Ohio, measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

**Credit Risk.** 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.

**Note 8 - Receivables**

Receivables at June 30, 2022, 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
Elementary and Secondary School Emergency Relief	\$90,801
IDEA Part B	81,480
School Employees Retirement System	49,627
State of Ohio Medicaid Reimbursement	39,968
Title I	6,647
Preschool Disabilities	2,210
Total Intergovernmental Receivable	\$270,733

**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.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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 2022 represent the collection of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed values as of January 1, 2021, 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 2022, represent the collection of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien on December 31, 2020, were levied after April 1, 2021, 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, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2022, 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, 2022 was \$944,428 in the general fund, \$75,032 in the bond retirement fund and \$44,899 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2021 was \$1,001,283 in the general fund, \$88,179 in the bond retirement fund and \$20,253 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 First Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$349,038,060	96.22 %	\$404,129,340	96.60 %
Public Utility Personal	13,703,530	3.78	14,204,620	3.40
<b>Total</b>	<b>\$362,741,590</b>	<b>100.00 %</b>	<b>\$418,333,960</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$75.94		\$74.33	

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2022

**Note 10 – Vacation and Sick Leave**

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

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$813,790	\$0	\$0	\$813,790
Construction in Progress	34,786	196,163	230,949	0
<i>Total Capital Assets, not being depreciated</i>	<u>848,576</u>	<u>196,163</u>	<u>230,949</u>	<u>813,790</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,682,951	0	0	2,682,951
Buildings and Improvements	21,334,056	230,948	0	21,565,004
Furniture and Equipment	635,256	57,485	0	692,741
Vehicles	2,135,269	95,499	0	2,230,768
<i>Total Capital Assets, being depreciated</i>	<u>26,787,532</u>	<u>383,932</u>	<u>0</u>	<u>27,171,464</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,776,110)	(99,647)	0	(1,875,757)
Buildings and Improvements	(8,248,769)	(412,936)	0	(8,661,705)
Furniture and Equipment	(440,890)	(32,650)	0	(473,540)
Vehicles	(1,784,689)	(116,299)	0	(1,900,988)
<i>Total Accumulated Depreciation</i>	<u>(12,250,458)</u>	<u>(661,532) *</u>	<u>0</u>	<u>(12,911,990)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>14,537,074</u>	<u>(277,600)</u>	<u>0</u>	<u>14,259,474</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$15,385,650</u>	<u>(\$81,437)</u>	<u>\$230,949</u>	<u>\$15,073,264</u>



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

Instruction:	
Regular	\$483,738
Special	\$723
Support Services:	
Board of Education	5,723
Administration	15,248
Operation and Maintenance of Plant	28,054
Pupil Transportation	123,876
Food Service Operations	217
Extracurricular Activities	3,953
<i>Total Depreciation Expense</i>	<i>\$661,532</i>

**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 2022, the School District contracted with Ohio School Plan for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$53,173,982
Extra Expense Coverage	1,000,000
Crime	100,000
General Liability	11,000,000
Employee Benefits Liability	11,000,000
Employer's Liability	11,000,000
School Leader's Errors and Omissions Liability	11,000,000
Sexual Misconduct and Molestation	11,000,000
Fleet	11,000,000
Uninsured Motorists	1,000,000
Boiler and Machinery	53,173,982
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 employee dishonesty/blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

***Employee Medical Coverage***

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

***Workers' Compensation***

For fiscal year 2022, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Retro-Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Health Systems Incorporated provides administrative, cost control and actuarial services to the GRP.

**Note 13 – Interfund Balances and Transfers**

***Interfund Balances***

Interfund balances at June 30, 2022, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General
<b>Other Governmental Funds:</b>	
ESSER	\$45,179
Coronavirus Relief	14,938
IDEA Part B	111,682
Title II-D	51
Title I	22,292
Preschool Disabilities	3,161
Title VI-R	16,786
Total	\$214,089

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

***Interfund Transfers***

The general fund transferred \$49,543 to the athletics special revenue fund to help provide funding fiscal year 2022.

**Note 14 - Contingencies**

***Grants***

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However,

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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, 2022.

***School Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the adjustments and they did not have any significant impact on the School District's funding.

***Litigation***

As of June 30, 2022, the School District was not party to any legal proceedings.

**Note 15 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2022 were as follows:

	Principal Outstanding 6/30/21	Additions	Deductions	Principal Outstanding 6/30/22	Amounts Due in One Year
<b>Governmental Activities</b>					
<b><i>General Obligation Bonds:</i></b>					
2013 School Improvement					
Refunding Bonds 1.25 - 3.00%					
Current Interest Serial Bonds	\$7,780,000	\$0	\$120,000	\$7,660,000	\$0
Capital Appreciation Bonds	14,992	0	0	14,992	5,555
Accretion on Capital Appreciation Bonds	495,351	280,963	0	776,314	359,445
Premium on Bonds	731,433	0	56,808	674,625	0
2016 School Improvement					
Refunding Bonds 3.56%					
Current Interest Serial Bonds	1,780,000	0	625,000	1,155,000	415,000
Premium on Bonds	167,324	0	18,592	148,732	0
<b><i>Total General Obligation Bonds</i></b>	<b>10,969,100</b>	<b>280,963</b>	<b>820,400</b>	<b>10,429,663</b>	<b>780,000</b>
Compensated Absences	1,721,547	518,060	345,929	1,893,678	364,652
Net Pension Liability					
SERS	3,138,767	0	1,210,306	1,928,461	0
STRS	14,441,768	0	6,750,477	7,691,291	0
<b><i>Total Net Pension Liability</i></b>	<b>17,580,535</b>	<b>0</b>	<b>7,960,783</b>	<b>9,619,752</b>	<b>0</b>
Net OPEB Liability					
SERS	1,065,646	0	46,523	1,019,123	0
<b><i>Total Governmental Activities Long-Term Liabilities</i></b>	<b>\$31,336,828</b>	<b>\$799,023</b>	<b>\$9,173,635</b>	<b>\$22,962,216</b>	<b>\$1,144,652</b>

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

The final maturity amount of outstanding capital appreciation bonds is \$1,460,000. The accretion recorded for fiscal year 2022 was \$280,963, for a total outstanding bond liability of \$791,306.

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

The School District's overall legal debt margin at June 30, 2022 was \$28,748,740 with an unvoted debt margin of \$418,334. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2022, are as follows:

	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2022	\$415,000	\$252,544	\$5,555	\$359,445
2023	95,000	243,466	7,063	712,937
2024	445,000	235,682	2,374	372,626
2025	825,000	218,747	0	0
2026	850,000	196,723	0	0
2027-2031	4,390,000	597,277	0	0
2032-2036	1,795,000	54,225	0	0
Total	\$8,815,000	\$1,798,664	\$14,992	\$1,445,008

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

**Note 16 - Set Asides**

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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, 2021	\$0
Current Year Set-aside Requirement	204,972
Current Year Offsets	(457,915)
Qualifying Disbursements	(382,850)
Totals	(\$635,793)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2022	\$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 LGCA including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. LGCA's continued existence is not dependent upon the School District's continued participation. In fiscal year 2022, the School District paid \$69,216 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 Board meets monthly

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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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 2022, the School District paid \$1,212 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy was the supplier from July 1, 2018 to June 30, 2019 and again from July 1, 2019 through June 30, 2022. There are currently 161 participants in the program. The participants make monthly payments based on estimated usage and estimated prices. Each August, these estimated payments are compared to their actual usage and actual prices for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing. Any School District that requests a refund of their excess amount has the amount returned in November of that fiscal year.

**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 Jennifer Capo, Treasurer, Perry Local School District, 4325 Manchester Road, Perry, OH 44081.

**Note 19 - Related Organization**

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

**Note 20 - Insurance Purchasing Pool**

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 21 - Encumbrances**

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

General	\$231,734
Other Governmental Funds	<u>355,308</u>
Totals	<u><u>\$587,042</u></u>

**Note 22 - Defined Benefit Pension Plans**

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

***Net Pension Liability/Net OPEB Liability (Asset)***

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

***School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

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



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$249,774 for fiscal year 2022. Of this amount \$15,836 is reported as an intergovernmental payable.

***State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,119,677 for fiscal year 2022. Of this amount \$185,958 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, 2021, 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>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.05226590%	0.06015448%	
Prior Measurement Date	<u>0.04745490%</u>	<u>0.05968550%</u>	
Change in Proportionate Share	<u>0.00481100%</u>	<u>0.00046898%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,928,461	\$7,691,291	\$9,619,752
Pension Expense	\$34,570	(\$269,641)	(\$235,071)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$186	\$237,623	\$237,809
Changes of assumptions	40,608	2,133,703	2,174,311
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	201,564	58,921	260,485
School District contributions subsequent to the measurement date	<u>249,774</u>	<u>1,119,677</u>	<u>1,369,451</u>
Total Deferred Outflows of Resources	<u>\$492,132</u>	<u>\$3,549,924</u>	<u>\$4,042,056</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$50,013	\$48,209	\$98,222
Net difference between projected and actual earnings on pension plan investments	993,213	6,628,421	7,621,634
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>258,833</u>	<u>258,833</u>
Total Deferred Inflows of Resources	<u>\$1,043,226</u>	<u>\$6,935,463</u>	<u>\$7,978,689</u>

\$1,369,451 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$111,054)	(\$1,219,513)	(\$1,330,567)
2024	(148,808)	(1,007,590)	(1,156,398)
2025	(236,150)	(977,190)	(1,213,340)
2026	<u>(304,856)</u>	<u>(1,300,923)</u>	<u>(1,605,779)</u>
Total	<u>(\$800,868)</u>	<u>(\$4,505,216)</u>	<u>(\$5,306,084)</u>

***Actuarial Assumptions - SERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 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 earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net pension liability	\$3,208,484	\$1,928,461	\$848,960

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00%	

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$14,402,910	\$7,691,291	\$2,019,988

***Changes Between the Measurement Date and the Reporting date*** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

**Note 23 - Defined Benefit OPEB Plans**

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

***School Employees Retirement System (SERS)***

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District’s surcharge obligation was \$31,078.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$31,078 for fiscal year 2022. Of this amount \$31,078 is reported as an intergovernmental payable.

***State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. 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 to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB liability (asset) was based on the School District’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.05384840%	0.06015448%	
Prior Measurement Date	0.04903290%	0.05968550%	
Change in Proportionate Share	0.00481550%	0.00046898%	
Proportionate Share of the:			
Net OPEB Liability	\$1,019,123	\$0	\$1,019,123
Net OPEB (Asset)	\$0	(\$1,268,308)	(\$1,268,308)
OPEB Expense	(\$4,451)	(\$108,978)	(\$113,429)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$10,863	\$45,160	\$56,023
Changes of assumptions	159,877	81,014	240,891
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	145,076	468	145,544
School District contributions subsequent to the measurement date	<u>31,078</u>	<u>0</u>	<u>31,078</u>
Total Deferred Outflows of Resources	<u>\$346,894</u>	<u>\$126,642</u>	<u>\$473,536</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$507,570	\$232,377	\$739,947
Changes of assumptions	139,561	756,638	896,199
Net difference between projected and actual earnings on OPEB plan investments	22,141	351,553	373,694
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>79,596</u>	<u>50,560</u>	<u>130,156</u>
Total Deferred Inflows of Resources	<u>\$748,868</u>	<u>\$1,391,128</u>	<u>\$2,139,996</u>

\$31,078 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$109,162)	(\$366,819)	(\$475,981)
2024	(109,317)	(358,017)	(467,334)
2025	(108,318)	(341,019)	(449,337)
2026	(78,647)	(149,979)	(228,626)
2027	(24,226)	(49,847)	(74,073)
Thereafter	<u>(3,382)</u>	<u>1,195</u>	<u>(2,187)</u>
Total	<u>(\$433,052)</u>	<u>(\$1,264,486)</u>	<u>(\$1,697,538)</u>

***Actuarial Assumptions - SERS***

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$1,262,819	\$1,019,123	\$824,445
	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$784,643	\$1,019,123	\$1,332,321

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

**Kirtland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

***Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$1,070,256)	(\$1,268,308)	(\$1,433,751)

  

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,427,047)	(\$1,268,308)	(\$1,072,012)

***Changes Between the Measurement Date and the Reporting date*** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

**Note 24 –COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The School District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

## **Required Supplementary Information**

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**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 Nine Fiscal Years (1)*

	2022	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.05226590%	0.04745490%	0.04612460%	0.05208920%
School District's Proportionate Share of the Net Pension Liability	\$1,928,461	\$3,138,767	\$2,759,716	\$2,983,245
School District's Covered Payroll	\$1,816,414	\$1,612,293	\$1,625,519	\$1,677,844
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	106.17%	194.68%	169.77%	177.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information



2018	2017	2016	2015	2014
0.05105650%	0.05717570%	0.06386600%	0.06459500%	0.06459500%
\$3,050,513	\$4,184,734	\$3,644,256	\$3,269,116	\$3,841,257
\$1,700,064	\$1,770,100	\$1,815,986	\$1,884,595	\$1,889,511
179.44%	236.41%	200.68%	173.47%	203.29%
69.50%	62.98%	69.16%	71.70%	65.52%

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

	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.05384840%	0.04903290%	0.04731300%
School District's Proportionate Share of the Net OPEB Liability	\$1,019,123	\$1,065,646	\$1,189,821
School District's Covered Payroll	\$1,816,414	\$1,612,293	\$1,625,519
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	56.11%	66.10%	73.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.05222020%	0.05149530%	0.05773980%
\$1,448,728	\$1,381,998	\$1,645,798
\$1,677,844	\$1,700,064	\$1,770,100
86.34%	81.29%	92.98%
13.57%	12.46%	11.49%

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

	2022	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.06015448%	0.05968550%	0.05948765%	0.06217164%
School District's Proportionate Share of the Net Pension Liability	\$7,691,291	\$14,441,768	\$13,155,337	\$13,670,146
School District's Covered Payroll	\$7,481,321	\$7,236,914	\$6,985,050	\$7,094,879
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	102.81%	199.56%	188.34%	192.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%	77.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.06313333%	0.06464636%	0.06327032%	0.06026351%	0.06026351%
\$14,997,458	\$21,639,085	\$17,486,068	\$14,658,172	\$17,460,718
\$7,031,914	\$6,772,036	\$5,954,579	\$5,884,615	\$6,314,408
213.28%	301.60%	293.66%	249.09%	276.52%
75.30%	66.80%	72.10%	74.70%	69.30%

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

	2022	2021	2020
School District's Proportion of the Net OPEB Liability (Asset)	0.06015448%	0.05968550%	0.05948765%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,268,308)	(\$1,048,972)	(\$985,258)
School District's Covered Payroll	\$7,481,321	\$7,236,914	\$6,985,050
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-16.95%	-14.49%	-14.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.10%	174.70%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.06217164%	0.06313333%	0.06464636%
(\$999,035)	\$2,463,230	\$3,457,304
\$7,094,879	\$7,031,914	\$6,772,036
-14.08%	35.03%	51.05%
176.00%	47.10%	37.30%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$249,774	\$254,298	\$225,721	\$219,445
Contributions in Relation to the Contractually Required Contribution	<u>(249,774)</u>	<u>(254,298)</u>	<u>(225,721)</u>	<u>(219,445)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,784,100	\$1,816,414	\$1,612,293	\$1,625,519
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$31,078	\$35,279	\$30,502	\$37,214
Contributions in Relation to the Contractually Required Contribution	<u>(31,078)</u>	<u>(35,279)</u>	<u>(30,502)</u>	<u>(37,214)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.74%</u>	<u>1.94%</u>	<u>1.89%</u>	<u>2.29%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.74%</u>	<u>15.94%</u>	<u>15.89%</u>	<u>15.79%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information



2018	2017	2016	2015	2014	2013
\$226,509	\$238,009	\$247,814	\$239,347	\$261,205	\$261,508
(226,509)	(238,009)	(247,814)	(239,347)	(261,205)	(261,508)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,677,844	\$1,700,064	\$1,770,100	\$1,815,986	\$1,884,595	\$1,889,511
<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>
\$33,828	\$26,608	\$28,352	\$48,627	\$35,443	\$34,778
(33,828)	(26,608)	(28,352)	(48,627)	(35,443)	(34,778)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.02%</u>	<u>1.57%</u>	<u>1.60%</u>	<u>2.68%</u>	<u>1.88%</u>	<u>1.84%</u>
<u>15.52%</u>	<u>15.57%</u>	<u>15.60%</u>	<u>15.86%</u>	<u>15.74%</u>	<u>15.68%</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,119,677	\$1,047,385	\$1,013,168	\$977,907
Contributions in Relation to the Contractually Required Contribution	<u>(1,119,677)</u>	<u>(1,047,385)</u>	<u>(1,013,168)</u>	<u>(977,907)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$7,997,693	\$7,481,321	\$7,236,914	\$6,985,050
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$993,283	\$984,468	\$948,085	\$833,641	\$765,600	\$820,873
<u>(993,283)</u>	<u>(984,468)</u>	<u>(948,085)</u>	<u>(833,641)</u>	<u>(765,600)</u>	<u>(820,873)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,094,879	\$7,031,914	\$6,772,036	\$5,954,579	\$5,884,615	\$6,314,408
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$58,892	\$63,144
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(58,892)</u>	<u>(63,144)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

**Kirtland Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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**Net Pension Liability**

**Changes in Assumptions – SERS**

Beginning in fiscal year 2022, an assumption of 2.0 percent was used for COLA or Ad Hoc Cola. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

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

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

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

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

**Changes in Assumptions - STRS**

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

**Kirtland Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

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

**Net OPEB Liability**

**Changes in Assumptions – SERS**

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

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

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

**Kirtland Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Changes in Assumptions – STRS**

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

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

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

**Changes in Benefit Terms – STRS OPEB**

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

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

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy

**Kirtland Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

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

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KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
KIRTLAND LOCAL SCHOOL DISTRICT			
National School Lunch Program	10.555	103989 - 3L70-22	\$ 267,870
Total - National School Lunch Program			<u>267,870</u>
Total - Child Nutrition Cluster			<u>267,870</u>
Total U.S. Department of Agriculture			<u>267,870</u>
<b>U.S. Department of Federal Communications Commission</b>			
<i>Direct Program</i>			
Emergency Connectivity Fund Program	32.009		95,040
Total U.S. Department of Federal Communications Commission			<u>95,040</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education Grants to States	84.027A	103989 - 3M20-22	319,357
	84.027X	103989 - 3M20-22	455
Total - Special Education Grants to States			<u>319,812</u>
Special Education Preschool Grants	84.173A	103989 - 3C50-22	4,234
Total - Special Education Cluster			<u>324,046</u>
Title I Grant to Local Educational Agencies	84.010A	103989-3M00-22	129,493
Total- Title I Grants to Local Educational Agencies			<u>129,493</u>
Supporting Effective Instruction State Grant	84.367A	103989-3Y60-22	899
Total - Supporting Effective Instruction State Grant			<u>899</u>
<u>Education Stabilization Fund</u>			
Elementary and Secondary School Emergency Relief Fund	84.425D	103989-3HS0-21	144,524
Elementary and Secondary School Emergency Relief Fund II	84.425D	103989-3HS0-22	204,940
Total - Education Stabilization Fund			<u>349,464</u>
Total U.S. Department of Education			<u>803,902</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,166,812</u>

The accompanying notes are an integral part of this schedule.

**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Kirtland Local School District (the District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with DEW's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2021 to 2022 programs:

<u>Program Title</u>	<u>AL Number</u>	<u>Amt.</u> <u>Transferred</u>
Title I-A Improving Basic Programs	84.010	\$ 645.34
Expanding Opportunities for Each Child	84.010	1,641.44
Title II-A Supporting Effective Instruction	84.367	12,515.75
Title IV-A Student Support and Academic Enrichment	84.424	742.26
IDEA-B Special Education	84.027	65,602.78
IDEA Early Childhood Special Education	84.173	788.08



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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 29, 2024.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a significant deficiency.

***Report on Compliance and Other Matters***

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

***District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

April 29, 2024

# OHIO AUDITOR OF STATE KEITH FABER



65 East State Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
800-282-0370

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### Report on Compliance with Each Major Federal Program

#### ***Opinion on Each Major Federal Program***

We have audited Kirtland Local School District's, Lake County, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Kirtland Local School District's major federal programs for the year ended June 30, 2022. Kirtland Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Kirtland Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

April 29, 2024

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**KIRTLAND LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2022**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ Special Education Cluster</li> <li>➤ COVID-19 Education Stabilization Fund AL# 84.425</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER – 2022-001**

**Significant Deficiency - Capital Assets**

Kirtland Local School District Bylaws & Policies Section 7450 – Property Inventory indicates, in part, as steward of this District's school property, the Board of Education recognizes that efficient management and full replacement upon loss requires accurate inventory and properly maintained property records. The Board shall conduct a complete inventory by physical count of all Board-owned equipment and supplies annually. It shall be the duty of the Treasurer to ensure that inventories are systematically and accurately recorded and property records of equipment are updated and adjusted annually by reference to purchase orders and withdrawal reports.

**FINDING NUMBER – 2022-001 – (Continued)**

**Significant Deficiency - Capital Assets – (Continued)**

The District maintains detailed capital asset inventory which was prepared by a third party appraisal service. However, the detailed inventory listing excluded \$6,883,970 of various capital assets related to buildings, building improvements, and vehicles (net of accumulated depreciation) at June 30, 2023. These additional items, dating back to fiscal year 2012, were tracked on separate spreadsheets but were not updated to the master asset list.

The majority of these differences date back to 2012 which was the first year the District prepared GAAP basis financial statements. At that time, to convert its cash-basis financial statements to accrual basis statements, the District contracted with a third-party appraisal firm to prepare a master capital asset list. However, this master list excluded \$6,916,984 of building related capital assets acquisition costs dating back to 2007. These items are detailed on a client prepared spreadsheet from 2012 but have never been inputted and updated to the master listing. However, \$69,686 of various capital assets related to vehicles and furniture, fixtures, and equipment (net of accumulated depreciation), could not be tied to the individual assets that made up that value for fiscal year 2023.

Failure to update the master inventory list annually inhibits management's ability to monitor its capital asset inventory. It also compromises the integrity of the reported information which could lead to financial statement errors.

The City should annually update its master capital assets inventory and ensure the reported balances include all asset categories and agree with the reported financial statement amounts.

**Officials' Response:** See Correction Action Plan.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None.



# KIRTLAND LOCAL SCHOOLS

**Kirtland • Kirtland Hills • Waite Hill • Chardon Township**

9252 CHILLICOTHE ROAD, KIRTLAND, OHIO 44094 (440) 256-3360 FAX: (440) 256-3831

*Recognized Nationally and State-Wide for Educational Excellence*

## **SUPERINTENDENT OF SCHOOLS**

**Mr. Chad VanArnhem**

## **TREASURER**

**Ryan Pendleton**

## **BOARD OF EDUCATION**

**Joshua Hayes, President**

**Shannon Green, Vice President**

**Dr. Matthew Whittaker**

**Sheila Dikowicz**

**Jonathan Withrow**

## **CORRECTIVE ACTION PLAN**

**2 CFR § 200.511(c)**

**DECEMBER 31, 2022**

**Finding Number:** 2022-001

**Planned Corrective Action:** The district will continue to work with the 3<sup>rd</sup> party asset management company to bring all of the assets to the master asset listing and ensure the reported balances include all asset categories and agree with the financial statement amounts.

**Anticipated Completion Date:** December 2024

**Responsible Contact Person:** Ryan Pendleton, Treasurer

# OHIO AUDITOR OF STATE KEITH FABER



**KIRTLAND LOCAL SCHOOL DISTRICT**

**LAKE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/14/2024**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)