



Dave Yost • Auditor of State

**KIRTLAND LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kirtland Local School District, Lake County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As described in Note 3 to the financial statements, the District restated the June 30, 2012 governmental activities net position and governmental fund balances from the cash basis reporting to reporting in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 10, 2014

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The discussion and analysis of the Kirtland Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 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 2013, the School District continued to provide professional development for staff members as more technology is introduced into the curriculum and classrooms.
- General revenues accounted for the majority of all revenues, with tax revenues representing the largest share of those revenues. Specific program revenues in the form of charges for services, operating grants, and contributions accounted for the remainder of all revenues.
- Overall expenses increased during fiscal year 2013 due to increased benefits and utility costs. Only \$1,302,191 of the School District's expenses was offset by program specific charges for services and sales, operating grants, contributions and interest. General revenues (primarily taxes and school foundation) of \$14,735,736 helped to provide for these programs.

Using this Annual Financial Report

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

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

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting, used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus upon the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement debt service fund.

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

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

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to the prior fiscal year.

Table 1
Net Position

	Governmental Activities		
	2013	2012	Change
Assets			
Current and Other Assets	\$18,113,584	\$18,361,730	(\$248,146)
Capital Assets, Net	17,955,572	18,598,738	(643,166)
Total Assets	36,069,156	36,960,468	(891,312)
Deferred Outflows of Resources	1,230,956	1,246,538	(15,582)
Liabilities			
Current Liabilities	1,951,544	1,847,718	(103,826)
Long-Term Liabilities:			
Due Within One Year	666,333	615,348	(50,985)
Due in More than One Year	16,062,990	16,513,659	450,669
Total Liabilities	18,680,867	18,976,725	295,858
Deferred Inflows of Resources	9,637,572	10,050,911	413,339
Net Position			
Net Investment in Capital Assets	3,910,647	4,023,746	(113,099)
Restricted For:			
Debt Service	341,012	471,475	(130,463)
Capital Projects	274,863	341,088	(66,225)
Other Purposes	236,334	249,623	(13,289)
Unrestricted	4,218,817	4,093,438	125,379
Total Net Position	\$8,981,673	\$9,179,370	(\$197,697)

Total net position decreased compared to the prior fiscal year. The decrease in total assets was due to decreases in property taxes receivables and capital assets. The decrease in liabilities was most significant in long-term liabilities, due to the School District refunding debt in fiscal year 2013.

Management continues to diligently plan expenses, staying carefully within the School District's revenues in an effort to maintain the duration between its levy requests.

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2 shows the change in net position for fiscal year 2013 for governmental activities. Since this is the first year the School District has prepared financial statements following GASB 34, revenue and expense comparisons to fiscal year 2012 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
 Changes in Position
 Governmental Activities

	2013
Revenues	
Program Revenues:	
Charges for Services	\$617,966
Operating Grants and Contributions	684,225
<i>Total Program Revenues</i>	1,302,191
General Revenues:	
Property Taxes	11,990,212
Grant and Entitlements	2,610,416
Investment Earnings	2,293
Miscellaneous	132,815
<i>Total General Revenues</i>	14,735,736
 <i>Total Revenues</i>	 16,037,927
 Program Expenses	
Instruction	8,562,987
Support Services:	
Pupil	967,895
Instructional Staff	373,723
Board of Education	207,717
Administration	1,051,717
Fiscal	492,206
Business	16,679
Operation and Maintenance of Plant	1,455,737
Pupil Transportation	1,110,385
Central	147,686
Operation of Non-Instructional Services:	
Food Service Operations	225,265
Other Non-Instructional Services	130,787
Extracurricular Activities	814,767
Interest and Fiscal Charges	678,073
 <i>Total Program Expenses</i>	 16,235,624
<i>Change in Net Assets</i>	(197,697)
<i>Net Position Beginning of Year</i>	9,179,370
<i>Net Position End of Year</i>	\$8,981,673

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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 \$11,990,212 in fiscal year 2013. 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. The combination of taxes and intergovernmental funding along with substantial beginning net position have provided for coverage of all expenses in governmental activities in past years.

Instruction expenses are the largest expense of the School District, comprising of 52.74 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 8.97 percent of expenses for fiscal year 2013.

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 year 2013. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Governmental Activities

	Total Cost Of Services	Net Cost of Services
Instruction	\$8,562,987	(\$7,973,992)
Support Services:		
Pupil	967,895	(939,015)
Instructional Staff	373,723	(373,723)
Board of Education	207,717	(207,717)
Administration	1,051,717	(1,051,717)
Fiscal	492,206	(492,206)
Business	16,679	(16,679)
Operation and Maintenance of Plant	1,455,737	(1,431,757)
Pupil Transportation	1,110,385	(1,110,385)
Central	147,686	(131,555)
Operation of Non-Instructional Services:		
Food Service Operations	225,265	(54,135)
Other Non-Instructional Services	130,787	(34,971)
Extracurricular Activities	814,767	(437,508)
Interest and Fiscal Charges	678,073	(678,073)
Total Expenses	\$16,235,624	(\$14,933,433)

The dependence upon general revenues for governmental activities is apparent. 73.85 percent of total expenses are supported through taxes. Program revenues support 8.02 percent of expenses. Grants and entitlements not restricted to specific programs, investments, and other miscellaneous type revenues support the remaining expenses.

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The School District's Funds

Information regarding the School District's major funds starts on page 12. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund and the bond retirement debt service fund. All governmental funds had total revenues of \$15,974,553 and expenditures of \$16,159,393.

The general fund had an increase in fund balance of \$215,413 for fiscal year 2013, due to prudent spending by the School District. The bond retirement debt service fund had a decrease in fund balance of \$54,816.

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 2013, the School District amended its general fund budget three times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the final budgeted revenue was \$514,555 under actual revenues. The \$662,056 difference between the original and final budgeted amounts is due to conservative tax revenue estimates at the beginning of the fiscal year. Final budgeted expenditures were \$13,918,724, while actual expenditures were \$13,550,280. Final budget expenditures were \$124,250 more than the original budgeted expenditures. The School District monitors the budget on a monthly basis to keep it in line with current expenditures.

Capital Assets and Debt Administration

Capital Assets

Table 4 details fiscal year 2013 balances compared to the prior fiscal year. More detailed information is presented in Note 10 of the notes to the basic financial statements.

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

	Governmental Activities	
	2013	2012
Land	\$813,790	\$813,790
Land Improvements	1,191,709	1,272,987
Buildings and Improvements	15,451,146	15,976,007
Furniture and Equipment	126,648	141,823
Vehicles	372,279	394,131
Total	\$17,955,572	\$18,598,738

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Debt

At June 30, 2013 the School District had \$15,845,427 in bonds outstanding, \$550,000 due within one year. Table 5 summarizes general obligation bonds outstanding for governmental activities for fiscal years 2013 and 2012.

Table 5
Outstanding Debt at Fiscal Year End

	<u>2013</u>	<u>2012</u>
2006 School Improvement Bonds	\$4,575,164	\$13,480,592
2007 School Improvement Bonds	1,484,101	1,536,225
2012 School Improvement Refunding Bonds	<u>9,786,162</u>	<u>0</u>
Total Debt	<u><u>\$15,845,427</u></u>	<u><u>\$15,016,817</u></u>

During fiscal year 2013, the School District issued \$8,599,992 in general obligation bonds to partially refund bonds previously issued in 2006 for school improvements in the amount of \$8,600,000. More information regarding long-term debt obligations of the School District is presented in Note 16 to the Basic Financial Statements.

Current Issues

The School District is always presented with challenges and opportunities. Economic conditions as of yet have not had a material impact on the School District's tax revenue, as residential property taxable value comprises 90.85 percent of total taxable value. The residents approved a 6.72 mill, 5-year emergency levy placed on the November 6, 2012 ballot.

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 Stephen A. Vasek, Treasurer at Kirtland Local School District, 9252 Chillicothe Rd. Kirtland, Ohio, 44094, www.kirtlandschools.org.

Kirtland Local School District

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,846,295
Accounts Receivable	103,947
Intergovernmental Receivable	156,417
Property Taxes Receivable	11,006,925
Nondepreciable Capital Assets	813,790
Depreciable Capital Assets, Net	<u>17,141,782</u>
<i>Total Assets</i>	<u>36,069,156</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>1,230,956</u>
Liabilities	
Accounts Payable	39,080
Accrued Wages and Benefits	1,375,339
Intergovernmental Payable	351,004
Accrued Interest Payable	39,416
Accrued Vacation Leave Payable	61,205
Unearned Revenue	85,500
Long-Term Liabilities:	
Due Within One Year	666,333
Due In More Than One Year	<u>16,062,990</u>
<i>Total Liabilities</i>	<u>18,680,867</u>
Deferred Inflows of Resources	
Property Taxes	<u>9,637,572</u>
Net Position	
Net Investment in Capital Assets	3,910,647
Restricted for:	
Debt Service	341,012
Capital Projects	274,863
Other Purposes	236,334
Unrestricted	<u>4,218,817</u>
<i>Total Net Position</i>	<u><u>\$8,981,673</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	
			Governmental Activities	
Governmental Activities				
Instruction:				
Regular	\$6,845,337	\$167,610	\$21,518	(\$6,656,209)
Special	1,484,814	0	399,867	(1,084,947)
Vocational	93,419	0	0	(93,419)
Student Intervention Services	139,417	0	0	(139,417)
Support Services:				
Pupil	967,895	0	28,880	(939,015)
Instructional Staff	373,723	0	0	(373,723)
Board of Education	207,717	0	0	(207,717)
Administration	1,051,717	0	0	(1,051,717)
Fiscal	492,206	0	0	(492,206)
Business	16,679	0	0	(16,679)
Operation and Maintenance of Plant	1,455,737	18,397	5,583	(1,431,757)
Pupil Transportation	1,110,385	0	0	(1,110,385)
Central	147,686	0	16,131	(131,555)
Operation of Non-Instructional Services:				
Food Service Operations	225,265	131,489	39,641	(54,135)
Other Non-Instructional Services	130,787	0	95,816	(34,971)
Extracurricular Activities	814,767	300,470	76,789	(437,508)
Interest and Fiscal Charges	678,073	0	0	(678,073)
Totals	\$16,235,624	\$617,966	\$684,225	(14,933,433)

General Revenues

Property Taxes Levied for:

General Purposes	10,942,620
Debt Service	829,020
Capital Projects	218,572
Grants and Entitlements not Restricted to Specific Programs	2,610,416
Investment Earnings	2,293
Miscellaneous	132,815

Total General Revenues 14,735,736

Change in Net Position (197,697)

Net Position Beginning of Year
- Restated (See Note 3) 9,179,370

Net Position End of Year \$8,981,673

See accompanying notes to the basic financial statements

Kirtland Local School District*Balance Sheet
Governmental Funds
June 30, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,006,297	\$282,665	\$557,333	\$6,846,295
Accounts Receivable	103,947	0	0	103,947
Intergovernmental Receivable	64,356	0	92,061	156,417
Interfund Receivable	51,416	0	0	51,416
Property Taxes Receivable	9,831,473	958,319	217,133	11,006,925
<i>Total Assets</i>	<u>\$16,057,489</u>	<u>\$1,240,984</u>	<u>\$866,527</u>	<u>\$18,165,000</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$19,702	\$0	\$19,378	\$39,080
Accrued Wages and Benefits	1,348,103	0	27,236	1,375,339
Interfund Payable	0	0	51,416	51,416
Intergovernmental Payable	308,348	0	42,656	351,004
Unearned Revenue	85,500	0	0	85,500
<i>Total Liabilities</i>	<u>1,761,653</u>	<u>0</u>	<u>140,686</u>	<u>1,902,339</u>
Deferred Inflows of Resources				
Property Taxes	8,584,428	860,556	192,588	9,637,572
Unavailable Revenue	346,533	24,349	98,511	469,393
<i>Total Deferred Inflows of Resources</i>	<u>8,930,961</u>	<u>884,905</u>	<u>291,099</u>	<u>10,106,965</u>
Fund Balances				
Restricted	0	356,079	421,819	777,898
Committed	0	0	79,530	79,530
Assigned	151,316	0	0	151,316
Unassigned (Deficit)	5,213,559	0	(66,607)	5,146,952
<i>Total Fund Balances (Deficit)</i>	<u>5,364,875</u>	<u>356,079</u>	<u>434,742</u>	<u>6,155,696</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$16,057,489</u>	<u>\$1,240,984</u>	<u>\$866,527</u>	<u>\$18,165,000</u>

See accompanying notes to the basic financial statements

Cardinal Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2013*

Total Governmental Fund Balances		\$6,155,696
 <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.		17,955,572
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue.		
Delinquent Property Taxes	357,660	
Intergovernmental	111,733	
Total		469,393
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(15,845,427)	
Deferred Amount on Refunding	1,230,956	
Compensated Absences Payable	(883,896)	
Total		(15,498,367)
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(39,416)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.		(61,205)
<i>Net Position of Governmental Activities</i>		\$8,981,673

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, 2013

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$10,898,986	\$916,679	\$220,120	\$12,035,785
Intergovernmental	2,428,412	131,982	510,679	3,071,073
Interest	1,900	110	283	2,293
Tuition and Fees	167,610	0	0	167,610
Extracurricular Activities	85,368	0	215,102	300,470
Contributions and Donations	20,996	0	93,625	114,621
Charges for Services	0	0	131,489	131,489
Rentals	18,397	0	0	18,397
Miscellaneous	75,518	0	57,297	132,815
<i>Total Revenues</i>	<u>13,697,187</u>	<u>1,048,771</u>	<u>1,228,595</u>	<u>15,974,553</u>
Expenditures				
Current:				
Instruction:				
Regular	6,032,853	0	44,704	6,077,557
Special	1,098,940	0	375,739	1,474,679
Vocational	93,419	0	0	93,419
Student Intervention Services	139,246	0	0	139,246
Support Services:				
Pupil	950,738	0	43,540	994,278
Instructional Staff	375,721	0	0	375,721
Board of Education	199,312	0	0	199,312
Administration	1,029,254	0	0	1,029,254
Fiscal	472,902	11,156	4,191	488,249
Business	16,679	0	0	16,679
Operation and Maintenance of Plant	1,391,275	0	60,368	1,451,643
Pupil Transportation	1,017,906	0	73,121	1,091,027
Central	143,206	0	4,191	147,397
Operation of Non-Instructional Services:				
Food Service Operations	0	0	224,038	224,038
Other Non-Instructional Services	30,935	0	99,852	130,787
Extracurricular Activities	459,353	0	348,561	807,914
Capital Outlay	0	0	143,437	143,437
Debt Service:				
Principal Retirement	0	485,000	0	485,000
Payment to Refunded Bond Escrow Agent	0	189,875	0	189,875
Interest and Fiscal Charges	0	417,556	0	417,556
Bond Issuance Costs	0	136,326	0	136,326
<i>Total Expenditures</i>	<u>13,451,739</u>	<u>1,239,913</u>	<u>1,421,742</u>	<u>16,113,394</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>245,448</u>	<u>(191,142)</u>	<u>(193,147)</u>	<u>(138,841)</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	8,599,992	0	8,599,992
Bond Premium	0	1,192,997	0	1,192,997
Payment to Refunded Bond Escrow Agent	0	(9,656,663)	0	(9,656,663)
Transfers In	13,834	0	43,869	57,703
Transfers Out	(43,869)	0	(13,834)	(57,703)
<i>Total Other Financing Sources (Uses)</i>	<u>(30,035)</u>	<u>136,326</u>	<u>30,035</u>	<u>136,326</u>
<i>Net Change in Fund Balances</i>	215,413	(54,816)	(163,112)	(2,515)
<i>Fund Balances Beginning of Year -</i>				
<i>Restated (See Note 3)</i>				
	<u>5,149,462</u>	<u>410,895</u>	<u>597,854</u>	<u>6,158,211</u>
<i>Fund Balances End of Year</i>	<u>\$5,364,875</u>	<u>\$356,079</u>	<u>\$434,742</u>	<u>\$6,155,696</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, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$2,515)

*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	91,451
Depreciation	<u>(720,803)</u>

Total (629,352)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (13,814)

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

Property Taxes	(45,573)
Intergovernmental	<u>108,947</u>

Total 63,374

Other financing sources, such as general obligation bonds issued, in the governmental funds increase long-term liabilities in the statement of net assets. (9,838,988)

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

Accrued Interest	58,010
Accretion on Capital Appreciation Bonds	(127,721)
Amortization of Accounting Loss	(15,582)
Amortization of Bond Premium	<u>7,101</u>

Total (78,192)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 10,331,538

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	(18,244)
Accrued Vacation Leave Payable	<u>(11,504)</u>

Total (29,748)

Change in Net Position of Governmental Activities (\$197,697)

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$9,819,569	\$10,347,136	\$10,757,165	\$410,029
Intergovernmental	2,176,702	2,293,648	2,384,539	90,891
Interest	1,734	1,828	1,900	72
Tuition and Fees	151,915	160,077	166,420	6,343
Extracurricular Activities	77,927	82,114	85,368	3,254
Contributions and Donations	19,166	20,196	20,996	800
Rentals	0	0	19,417	19,417
Miscellaneous	75,789	79,859	63,608	(16,251)
<i>Total Revenues</i>	12,322,802	12,984,858	13,499,413	514,555
Expenditures				
Current:				
Instruction:				
Regular	6,079,637	5,961,339	6,115,174	(153,835)
Special	1,162,273	1,212,036	1,114,377	97,659
Vocational	105,000	107,083	95,277	11,806
Student Intervention Services	166,935	166,936	141,845	25,091
Support Services:				
Pupil	1,000,900	1,032,146	1,004,773	27,373
Instructional Staff	344,402	410,711	372,714	37,997
Board of Education	304,600	310,754	203,176	107,578
Administration	1,014,815	1,034,330	1,022,304	12,026
Fiscal	450,561	464,083	436,589	27,494
Business	16,350	17,723	16,835	888
Operation and Maintenance of Plant	1,355,607	1,395,900	1,311,483	84,417
Pupil Transportation	1,115,554	1,122,979	1,078,620	44,359
Central	147,943	151,509	143,025	8,484
Operation of Non-Instructional Services	38,280	38,448	33,202	5,246
Extracurricular Activities	491,617	492,747	460,886	31,861
<i>Total Expenditures</i>	13,794,474	13,918,724	13,550,280	368,444
<i>Excess of Revenues Under Expenditures</i>	(1,471,672)	(933,866)	(50,867)	882,999
Other Financing Sources (Uses)				
Advances In	0	0	4,855	4,855
Advances Out	0	0	(50,265)	(50,265)
Transfers In	12,628	13,307	13,834	527
Transfers Out	(25,000)	(25,000)	(43,869)	(18,869)
<i>Total Other Financing Sources (Uses)</i>	(12,372)	(11,693)	(75,445)	(63,752)
<i>Net Change in Fund Balance</i>	(1,484,044)	(945,559)	(126,312)	819,247
<i>Fund Balance Beginning of Year</i>	5,848,784	5,848,784	5,848,784	0
Prior Year Encumbrances Appropriated	128,417	128,417	128,417	0
<i>Fund Balance End of Year</i>	\$4,493,157	\$5,031,642	\$5,850,889	\$819,247

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$50,093</u></u>
Liabilities	
Due to Students	<u><u>\$50,093</u></u>

See accompanying notes to the basic financial statements

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Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 58 non-certified employees, 75 certified full-time teaching personnel, and 10 administrative employees who provide services to 1,270 students and other community members. The School District currently operates three school buildings, an administrative building, and a bus garage.

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

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

The School District is associated with three jointly governed organizations, a claims servicing pool, a related organization and an insurance purchasing pool. These organizations are the Lake Geauga Computer Association, the Auburn Career Center, the Ohio Schools Council Association, the Lake County Schools Health Care Consortium, the Kirtland Public Library and the Ohio School Boards’ Association Workers’ Compensation Group Rating Program which are presented in Notes 18, 19, 20 and 21 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

Measurement Focus

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

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

Basis of Accounting

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all School District funds. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

Cash and Cash Equivalents

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

During fiscal year 2013, investments were limited to a money market mutual fund, and STAR Ohio, the State Treasurer's Investment Pool.

Kirtland Local School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price for which the investment could be sold at June 30, 2013.

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 2013 amounted to \$1,900, which includes \$97 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.

Inventory

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Deferred Charge on Refunding

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

Bond Premiums

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

Capital Assets

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

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

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

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

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.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and 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 year. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

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

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

Interfund Activity

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

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

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:

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

Estimates

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

Note 3 - Change in Accounting Principles, Change in Basis of Accounting and Restatement of Net Position

Change in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements, Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34”, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Pre-November 30, 1989, FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” , Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. These changes were incorporated in the School District’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement resulted in the removal of the amortization of bond issuance costs and restatement of School District’s financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

Change in Basis of Accounting

For fiscal year 2013, the School District has elected to report on the modified accrual basis and reported using generally accepted accounting principles, as described in Note 2.

Restatement of Fund Balance/Net Position

The implementation of this change had the following effects on fund balance/net position of major and other governmental funds of the School District as they were previously reported.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement	Other Governmental Funds	Total
Cash Balances June 30, 2012	\$5,977,200	\$331,884	\$621,641	\$6,930,725
Asset Accruals	10,225,687	989,503	215,812	11,431,002
Interfund Receivables/Payables	6,006	0	(6,006)	0
Liability Accruals	<u>(11,059,431)</u>	<u>(910,492)</u>	<u>(233,593)</u>	<u>(12,203,516)</u>
Adjusted Fund Balances/Net Position, June 30, 2012	<u>\$5,149,462</u>	<u>\$410,895</u>	<u>\$597,854</u>	\$6,158,211
Capital Assets				18,598,738
Compensated Absences				(865,652)
Long-Term Liabilities				(49,701)
Accrued Interest Payable				(51,428)
Debt				(15,016,817)
Deferred Inflows of Resources				<u>406,019</u>
Adjusted Net Position, June 30, 2012				<u>\$9,179,370</u>

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 below:

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Restricted for</i>				
College Scholarships	\$0	\$0	\$189	\$189
Education Foundation	0	0	12,016	12,016
Athletics and Music	0	0	87,563	87,563
Non-Public Schools	0	0	31,791	31,791
Management Information Systems	0	0	5,000	5,000
Connectivity Grant	0	0	2,700	2,700
Data Communication	0	0	11,924	11,924
Title I	0	0	2,223	2,223
Debt Service Payments	0	356,079	0	356,079
Capital Improvements	0	0	268,413	268,413
<i>Total Restricted</i>	0	356,079	421,819	777,898
<i>Committed to</i>				
College Scholarships	0	0	79,530	79,530
<i>Assigned to</i>				
Purchases on Order	151,316	0	0	151,316
<i>Unassigned (Deficit)</i>	5,213,559	0	(66,607)	5,146,952
<i>Total Fund Balances</i>	\$5,364,875	\$356,079	\$434,742	\$6,155,696

Note 5 - Accountability

Accountability

The following funds had deficit fund balances at June 30, 2013:

<i>Special Revenue Funds</i>	<u>Amount</u>
Food Service	\$24,910
IDEA Part B - Special Education	37,378
Title II-D	51
Preschool	1,100
Improving Teacher Quality	3,168

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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. Encumbrances are treated as expenditures (Budget) rather than as a restricted, committed or assigned fund balance.
4. Advances-In and 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 statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$215,413
Net Adjustment for Revenue Accruals	(197,774)
Advances In	4,855
Net Adjustment for Expenditure Accruals	56,867
Advances Out	(50,265)
Encumbrances	<u>(155,408)</u>
 Budget Basis	 <u><u>(\$126,312)</u></u>

Note 7 – Deposits and Investments

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

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$2,739,410 of the School District's bank balance of \$6,739,410 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Investments

As of June 30, 2013, the School District had STAR Ohio as the only investment with an amount of \$432,875 and an average maturity of 52.5 days.

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 All investments other than STAR Ohio, carry a rating of AAA by Standard & Poor's. STAR Ohio carries a rating of AAAM by Standard & Poor's. 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.

Note 8 - Receivables

Receivables at June 30, 2013, 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:

	<u>Amount</u>
Title I	\$45,034
Workers' Compensation Refund	44,684
Title VI-B	28,264
SERS	19,672
Improving Teacher Quality	<u>18,763</u>
Total Intergovernmental Receivable	<u><u>\$156,417</u></u>

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Public utility property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 become a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is 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, 2013, are available to finance fiscal year 2013 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, 2013 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 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013 was \$920,184 in the general fund, \$73,414 in the bond retirement fund and \$18,095 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$778,363 in the general fund, \$79,011 in the bond retirement fund and \$17,520 in the permanent improvement fund.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$327,023,730	96.98 %	\$303,071,260	96.51 %
Public Utility Personal	10,173,560	3.02	10,966,860	3.49
Total	\$337,197,290	100.00 %	\$314,038,120	100.00 %
Tax rate per \$1,000 of assessed valuation	\$72.38		\$78.69	

On November 6, 2012, the residents of the School District approved a 7.52 mill emergency levy. Tax revenue from this levy was received beginning in January 2013.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance fiscal year 2013 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual bases the revenue has been reported as deferred inflows of resources – unavailable revenue.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$813,790	\$0	\$0	\$813,790
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,165,452	0	0	2,165,452
Buildings and Improvements	20,482,839	0	0	20,482,839
Furniture and Equipment	379,424	0	0	379,424
Vehicles	1,469,583	91,451	(255,753)	1,305,281
<i>Total Capital Assets, being depreciated</i>	<u>24,497,298</u>	<u>91,451</u>	<u>(255,753)</u>	<u>24,332,996</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(892,465)	(81,278)	0	(973,743)
Buildings and Improvements	(4,506,832)	(524,861)	0	(5,031,693)
Furniture and Equipment	(237,601)	(15,175)	0	(252,776)
Vehicles	(1,075,452)	(99,489)	241,939	(933,002)
<i>Total Accumulated Depreciation</i>	<u>(6,712,350)</u>	<u>(720,803) *</u>	<u>241,939</u>	<u>(7,191,214)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>17,784,948</u>	<u>(629,352)</u>	<u>(13,814)</u>	<u>17,141,782</u>
Governmental Activities Capital Assets, Net	<u>\$18,598,738</u>	<u>(\$629,352)</u>	<u>(\$13,814)</u>	<u>\$17,955,572</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$592,293
Support Services:	
Board of Education	8,405
Administration	5,025
Operation of Plant	4,955
Pupil Transportation	102,532
Food Service Operations	397
Extracurricular Activities	7,196
<i>Total Depreciation Expense</i>	<u>\$720,803</u>

Note 11 – Vacation and Sick Leave

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 12 - Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$247,526, \$266,444 and \$241,780, respectively. For fiscal year 2013, 53.78 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$806,641 and \$14,232 for the fiscal year ended June 30, 2013, \$647,560 and \$14,531 for the fiscal year ended June 30, 2012, and \$834,188 and \$13,706 for the fiscal year ended June 30, 2011. For fiscal year 2013, 86.4 percent has been contributed for the DB plan and 86.4 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$24,921 made by the School District and \$17,801 made by the plan members. In addition, member contributions of \$15,515 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 13- Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$31,755 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$34,778, \$11,539, and \$59,754, respectively. For fiscal year 2013, 53.78 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$13,982, \$15,735, and \$15,559 respectively. For fiscal year 2013, 53.78 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$62,049, \$49,812, and \$41,387 respectively. For fiscal year 2013, 86.35 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 14 - 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 2013, the School District contracted with Love Insurance Agency for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$47,291,723
Extra Expense Coverage	1,250,000
Crime	50,000
General Liability	6,000,000
Employee Benefits Liability	6,000,000
Employer's Liability	6,000,000
School Leader's Errors and Omissions Liability	6,000,000
Sexual Misconduct and Molestation	6,000,000
Fleet	6,000,000
Uninsured Motorists	250,000
Boiler and Machinery	47,291,723
Fiduciary Liability	6,000,000
Violence Coverage	1,000,000

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

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

Employee Medical Coverage

The School District has elected to provide medical coverage through the Lake County Schools Health Care Consortium (Note 19).

Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 21). 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 15 - 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, 2013.

Litigation

As of June 30, 2013, the School District was not party to any legal proceedings.

Note 16 – Debt

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
2006 School Improvement Bonds 4%-17.324%					
Current Interest Serial Bonds	\$6,395,000	\$0	\$2,570,000	\$3,825,000	\$0
Term Bonds	6,450,000	0	6,450,000	0	0
Capital Appreciation Bonds	239,994	0	0	239,994	129,943
Accretion on Capital Appreciation Bonds	395,598	114,572	0	510,170	305,057
2007 School Improvement Bonds 4%-12.994%					
Current Interest Serial Bonds	280,000	0	65,000	215,000	70,000
Term Bonds	1,160,000	0	0	1,160,000	0
Capital Appreciation Bonds	49,998	0	0	49,998	0
Accretion on Capital Appreciation Bonds	46,227	12,876	0	59,103	0
2013 School Improvement Refunding Bonds 1.25 - 3.00%					
Current Interest Serial Bonds	0	8,585,000	0	8,585,000	45,000
Capital Appreciation Bonds	0	14,992	0	14,992	0
Accretion on Capital Appreciation Bonds	0	273	0	273	0
Premium on Bonds	0	1,192,998	7,101	1,185,897	0
Total General Obligation Bonds	15,016,817	9,920,711	9,092,101	15,845,427	550,000
Compensated Absences	865,652	91,241	72,997	883,896	116,333
Total Governmental Activities Long-Term Liabilities	\$15,882,469	\$10,011,952	\$9,165,098	\$16,729,323	\$666,333

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

On August 23, 2006, the School District issued \$14,794,994 in general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$8,105,000, \$6,450,000 and \$239,994, respectively, at interest rates varying from 4.00 percent to 17.324 percent. The bonds were issued for a twenty-seven year period with final maturity at December 1, 2033. The bonds will be retired from the debt service fund.

The capital appreciation, current interest serial and term bonds remained outstanding at June 30, 2011. The capital appreciation bonds were originally sold at a discount of \$630,006, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2014.

The final maturity amount of outstanding capital appreciation bonds is \$870,000. The accretion recorded for fiscal year 2013 was \$114,572, for a total outstanding bond liability of \$750,164.

On March 21, 2007, the School District issued \$1,895,000 in general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$595,000, \$1,160,000 and \$140,000, respectively, at interest rates varying from 4.00 percent to 12.994 percent. The bonds were issued for a twenty-two year period with final maturity at December 1, 2029. The bonds will be retired from the debt service fund.

The capital appreciation, current interest serial and term bonds remained outstanding at June 30, 2010. The capital appreciation bonds were originally sold at a discount of \$90,002, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is December 31, 2015.

The final maturity amount of outstanding capital appreciation bonds is \$140,000. The accretion recorded for fiscal year 2013 was \$12,876, for a total outstanding bond liability of \$109,101.

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 percent to 3 percent. 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.

2006 School Improvement Bonds

Outstanding at June 30, 2012	\$13,084,994
Amount Refunded	(8,600,000)
Principal Payment on Non-Refunded Portion	<u>(420,000)</u>
Outstanding at June 30, 2013	<u><u>\$4,064,994</u></u>

Net proceeds of \$9,846,538 (including a \$1,192,998 premium and after payment of \$136,326 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2005 Various Purpose bonds. As a result, \$8,600,000 of these bonds was considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2006 School Improvement Bonds	\$12,664,994
Non-Refunded Portion of Bonds	(4,064,994)
Payment to Refunded Bond Escrow Agent	<u>(9,846,538)</u>
 2013 School Improvement Refunding Accounting Loss	 <u><u>(\$1,246,538)</u></u>

Although the refunding will result in the recognition of an accounting loss of \$1,246,538, the School District in effect decreased its aggregated debt service payments by \$834,744 over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$648,223.

The final maturity amount of outstanding capital appreciation bonds is \$375,000. The accretion recorded for fiscal year 2013 was \$273, for a total outstanding bond liability of \$15,265.

The School District's overall legal debt margin at June 30, 2013 was \$14,173,447 with an unvoted debt margin of \$314,038. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013, are as follows:

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$0	\$334,925	\$115,000	\$272,507	\$129,943	\$305,057
2015	0	334,925	100,000	261,406	136,621	36,738
2016	0	334,925	535,000	260,006	23,428	46,573
2017	0	334,925	630,000	248,587	0	0
2018	0	334,925	670,000	226,569	0	0
2019-2023	0	1,649,324	2,915,000	812,222	5,555	359,445
2024-2028	510,000	1,546,252	2,580,000	219,851	9,437	1,085,563
2029-2033	650,000	889,209	4,170,000	0	0	0
2034	0	83,250	910,000	0	0	0
Total	<u>\$1,160,000</u>	<u>\$5,842,660</u>	<u>\$12,625,000</u>	<u>\$2,301,148</u>	<u>\$304,984</u>	<u>\$1,833,376</u>

Note 17 - Set Aside Requirements

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.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

	Capital Improvements
Set-aside Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	201,095
Current Year Offsets	(249,895)
Qualifying Disbursements	(176,286)
Totals	(\$225,086)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2013	\$0

Note 18 - 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 18 member school districts. Each of the school districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The LGCA's governing board's exercises total control over the operations of the NCC including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. LGCA's continued existence is not dependent upon the School District's continued participation. In fiscal year 2013, the School District paid \$87,739 to the computer association. Financial information can be obtained by writing the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, 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, Painesville, Ohio 44077.

Ohio Schools Council Association - The Ohio Schools Council (Council) is a jointly governed organization among 161 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The 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 2013, the School District paid \$2,611 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Kirtland Local School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Note 19 – Claims Servicing Pool

The School District participates in the Lake County Schools Health Care Consortium (Consortium), a claims servicing pool comprised of nine Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five member Board of Directors elected by the Consortium's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. The Consortium acts solely as the claims servicing agent. Financial information can be obtained from Mike Vaccariello, Treasurer, Madison Local School District, 6741 North Ridge Road, Madison, OH 44057.

Note 20 - 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, Julia Brandow, Clerk/Treasurer, at 9267 Chillicothe Road, Kirtland, Ohio 44094.

Note 21 - Insurance Purchasing Pool

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 22 - 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:



Dave Yost • Auditor of State

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

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

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, (the District) as of and for the year ended June 30, 2013, 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 10, 2014, wherein we noted the District changed from the cash basis reporting to reporting in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

www.auditor.state.oh.us

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 10, 2014

KIRTLAND LOCAL SCHOOL DISTRICT
LAKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Failure to report on GAAP	Yes	

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Members of the Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Kirtland Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 10, 2014

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

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KIRTLAND LOCAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 22, 2014**