

OHIO AUDITOR OF STATE
KEITH FABER



**Kirtland Local School District
Lake County, Ohio**

**General Purpose External Financial Statements
For the Fiscal Year Ended June 30, 2019**

Kirtland Local School District
General Purpose External Financial Statements
For the Fiscal Year Ended June 30, 2019
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OHIO AUDITOR OF STATE KEITH FABER



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Board of Education
Kirtland Local School District
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Accountant's Compilation Report

Management is responsible for the accompanying basic financial statements of the Kirtland Local School District as of and for the fiscal year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management's Discussion and Analysis is supplementary information required by the Governmental Accounting Standards Board and was prepared by management. We did not compile, review or audit the information nor do we express an opinion, a conclusion, nor provide any assurance on the information.

The Schedules of the School District's Proportionate Share of Net Pension Liability, the Schedules of the School District's Proportionate Share of Net OPEB Liability/(Asset) and the Schedules of the School District's Contributions are not part of the basic financial statements but the Governmental Accounting Standards Board requires their presentation to supplement the basic financial statement. We have compiled these schedules without audit or review and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this information.

Keith Faber
Auditor of State

A handwritten signature in blue ink that reads "David B. Thompson".

Dave Thompson
Chief of Local Government Services

November 15, 2019

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Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
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, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 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 2019, 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 and capital grants and contributions accounted for the remainder of all revenues.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question "How did we perform financially during fiscal year 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting, used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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Management's Discussion and Analysis
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The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net position for 2019 compared to 2018.

Table 1
Net Position
Governmental Activities

	2019	2018	Change
Assets			
Current and Other Assets	\$22,087,570	\$21,502,940	\$584,630
Net OPEB Asset	999,035	0	999,035
Capital Assets, Net	16,367,038	16,555,096	(188,058)
Total Assets	39,453,643	38,058,036	1,395,607
Deferred Outflows of Resources			
Deferred Charge on Refunding	649,718	789,529	(139,811)
Pension	4,521,180	5,936,099	(1,414,919)
OPEB	180,024	176,021	4,003
<i>Total Deferred Outflows of Resources</i>	<i>5,350,922</i>	<i>6,901,649</i>	<i>(1,550,727)</i>
Liabilities			
Current Liabilities	2,012,853	1,964,519	(48,334)
Long-Term Liabilities:			
Due Within One Year	871,859	782,830	(89,029)
Due in More than One Year:			
Net Pension Liability	16,653,391	18,047,971	1,394,580
Net OPEB Liability	1,448,728	3,845,228	2,396,500
Other Amounts Due in More Than One Year	12,741,643	13,466,270	724,627
Total Liabilities	33,728,474	38,106,818	4,378,344
Deferred Inflows of Resources			
Property Taxes	11,319,748	10,518,539	(801,209)
Pension	1,685,866	1,462,734	(223,132)
OPEB	1,844,533	643,554	(1,200,979)
<i>Total Deferred Inflows of Resources</i>	<i>14,850,147</i>	<i>12,624,827</i>	<i>(2,225,320)</i>
Net Position			
Net Investment in Capital Assets	4,879,457	4,544,676	334,781
Restricted For:			
Capital Projects	367,637	383,287	(15,650)
Debt Service	490,854	579,080	(88,226)
Other Purposes	275,611	294,476	(18,865)
Unrestricted (Deficit)	(9,787,615)	(11,573,479)	1,785,864
Total Net Position	(\$3,774,056)	(\$5,771,960)	\$1,997,904

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the

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

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

Net position increased primarily as a result of an increase in the net OPEB asset and property tax receivable as well as a decrease in net pension liability and net OPEB liability.

Table 2 shows the changes in net position for fiscal years 2019 compared to 2018.

Table 2
 Changes in Position
 Governmental Activities

	2019	2018	Change
Revenues			
Program Revenues:			
Charges for Services	\$678,698	\$596,566	\$82,132
Operating Grants and Contributions	725,035	509,262	215,773
Capital Grants and Contributions	231,695	0	231,695
<i>Total Program Revenues</i>	<u>1,635,428</u>	<u>1,105,828</u>	<u>529,600</u>
General Revenues:			
Property Taxes	11,782,682	13,845,909	(2,063,227)
Grant and Entitlements	2,698,523	2,404,166	294,357
Unrestricted Contributions and Donations	52,472	31,984	20,488
Investment Earnings	153,156	31,892	121,264
Miscellaneous	138,315	454,482	(316,167)
<i>Total General Revenues</i>	<u>14,825,148</u>	<u>16,768,433</u>	<u>(1,943,285)</u>
<i>Total Revenues</i>	<u>\$16,460,576</u>	<u>\$17,874,261</u>	<u>(\$1,413,685)</u>

(continued)

Kirtland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
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Table 2
 Changes in Position
 Governmental Activities (*continued*)

	2019	2018	Change
Program Expenses			
Instruction	\$7,197,926	\$2,940,537	(\$4,257,389)
Support Services:			
Pupil	960,830	516,872	(443,958)
Instructional Staff	321,841	186,119	(135,722)
Board of Education	158,613	157,560	(1,053)
Administration	763,891	206,926	(556,965)
Fiscal	522,490	477,273	(45,217)
Business	25,382	34,373	8,991
Operation and Maintenance of Plant	1,312,520	1,287,880	(24,640)
Pupil Transportation	1,313,716	1,029,300	(284,416)
Central	272,122	257,777	(14,345)
Food Service Operations	302,340	247,027	(55,313)
Extracurricular Activities	831,048	874,586	43,538
Interest and Fiscal Charges	479,953	474,589	(5,364)
<i>Total Program Expenses</i>	<u>14,462,672</u>	<u>8,690,819</u>	<u>(5,771,853)</u>
<i>Change in Net Position</i>	1,997,904	9,183,442	(7,185,538)
<i>Net Position Beginning of Year</i>	<u>(5,771,960)</u>	<u>(14,955,402)</u>	<u>9,183,442</u>
<i>Net Position End of Year</i>	<u>(\$3,774,056)</u>	<u>(\$5,771,960)</u>	<u>\$1,997,904</u>

Governmental Activities

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). As a result of these changes, pension expense decreased from \$2,277,482 in fiscal year 2017 to a negative pension expense of \$5,954,400 for fiscal year 2018. For fiscal year 2019, pension expense increased to \$1,440,823 closer to the 2017 pension expense amount.

Several revenue sources primarily fund the School District's governmental activities. Property tax revenues brought the largest portion of general revenues having generated \$11,782,682 in fiscal year 2019. Grants and entitlements portion of the general revenues is the second largest source of revenues for the School District and includes monies received from the Ohio Department of Education, the State Foundation Program and property tax relief such as homestead exemptions and rollbacks provided by House Bill 920. Operating grants and contributions increased during fiscal year 2019 due to changes in grant funding. Capital grants and contributions increased during fiscal year 2019 due to changes in grant funding. The combination of taxes and intergovernmental funding have provided for coverage of all expenses in governmental activities in past years.

Instruction expenses are the largest expense of the School District, comprising of 49.77 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 9.08 percent of expenses for fiscal year 2019. Overall, expenses increased during fiscal year 2019 due to positive pension expense.

Kirtland Local School District
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For the Fiscal Year Ended June 30, 2019
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The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2019 and 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	2019		2018	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
Instruction	\$7,197,926	(\$6,545,266)	\$2,940,537	(\$2,503,041)
Support Services:				
Pupil	960,830	(921,843)	516,872	(516,091)
Instructional Staff	321,841	(308,386)	186,119	(179,574)
Board of Education	158,613	(158,613)	157,560	(157,560)
Administration	763,891	(763,891)	206,926	(206,926)
Fiscal	522,490	(522,490)	477,273	(477,273)
Business	25,382	(25,382)	34,373	(34,373)
Operation and Maintenance of Plant	1,312,520	(1,301,449)	1,287,880	(1,272,771)
Pupil Transportation	1,313,716	(1,082,021)	1,029,300	(1,029,300)
Central	272,122	(266,722)	257,777	(252,377)
Food Service Operations	302,340	(12,776)	247,027	2,046
Extracurricular Activities	831,048	(438,452)	874,586	(483,162)
Interest and Fiscal Charges	479,953	(479,953)	474,589	(474,589)
Total Expenses	<u>\$14,462,672</u>	<u>(\$12,827,244)</u>	<u>\$8,690,819</u>	<u>(\$7,584,991)</u>

The School District's Funds

Information regarding the School District's major funds starts on page 16. All governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund and the bond retirement debt service fund. All governmental funds had total revenues of \$16,439,984 and expenditures of \$16,777,011.

The general fund had a decrease in fund balance of \$137,558 for fiscal year 2019, due to a decrease in property tax revenues. The bond retirement debt service fund had a decrease in fund balance of \$88,815 due to a decrease in property tax revenues.

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 2019, the School District amended its general fund budget a number of times by the end of the fiscal year. Requests for budget changes are made by the Treasurer to reflect changes in projected revenues. With regard to the general fund, the final budgeted revenue was \$509,601 over actual revenues. Final budgeted expenditures were \$15,044,782, while actual expenditures were \$14,083,576. The School District monitors the budget on a monthly basis to keep it in line with current expenditures.

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Management's Discussion and Analysis
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Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 details fiscal year 2019 balances compared to the prior fiscal year. More detailed information is presented in Note 11.

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

	2019	2018
Land	\$813,790	\$813,790
Construction in Progress	104,250	0
Land Improvements	1,092,732	1,198,213
Buildings and Improvements	13,614,889	14,022,623
Furniture and Equipment	215,340	217,210
Vehicles	526,037	303,260
Total	\$16,367,038	\$16,555,096

A decrease in capital assets is the result of an additional year of annual depreciation on all capital assets other than land and construction in progress. Additions included a security system, four busses and construction in progress.

Debt Administration

At June 30, 2019, the School District had \$12,246,830 in bonds outstanding with \$700,000 due within one year. Table 5 summarizes general obligation bonds outstanding for governmental activities for fiscal years 2019 and 2018.

Table 5
 Outstanding Debt at June 30

	2019	2018
2013 School Improvement Refunding Bonds	\$9,067,322	\$9,163,761
2016 School Improvement Refunding Bonds	3,179,508	3,758,100
Total Debt	\$12,246,830	\$12,921,861

The School District's overall legal debt margin at June 30, 2019 was \$21,287,977 with an unvoted debt margin of \$355,329. More information regarding long-term debt obligations of the School District is presented in Note 15.

Current Issues

The School District remains dependent upon local revenue to support the high quality educational programs. Currently 71.58 percent of total operating fund revenue is local property tax revenue. The Board of Education has practiced fiscal prudence and slowed the year over year growth of operating fund expenses,

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Unaudited

and has thoughtfully overseen the use on operating fund levy proceeds. As a result of State funding policies for public education there is no year over year growth in total operating fund revenues. This places great importance in gaining community support for renewing all existing operating levy issues.

Contacting the School District's Financial Management

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

Basic Financial Statements

Kirtland Local School District*Statement of Net Position**June 30, 2019*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,210,275
Accrued Interest Receivable	18,334
Accounts Receivable	12,505
Intergovernmental Receivable	185,458
Prepaid Items	83,438
Property Taxes Receivable	12,577,560
Nondepreciable Capital Assets	918,040
Depreciable Capital Assets, Net	15,448,998
Net OPEB Asset	999,035
	<hr/>
<i>Total Assets</i>	39,453,643
Deferred Outflows of Resources	
Deferred Charge on Refunding	649,718
Pension	4,521,180
OPEB	180,024
	<hr/>
<i>Total Deferred Outflows of Resources</i>	5,350,922
Liabilities	
Accounts Payable	115,854
Contracts Payable	80,730
Retainage Payable	7,020
Accrued Wages and Benefits	1,488,959
Intergovernmental Payable	246,052
Accrued Interest Payable	27,596
Accrued Vacation Leave Payable	46,642
Long-Term Liabilities:	
Due Within One Year	871,859
Due In More Than One Year:	
Net Pension Liability (See Note 22)	16,653,391
Net OPEB Liability (See Note 23)	1,448,728
Other Amounts Due in More Than One Year	12,741,643
	<hr/>
<i>Total Liabilities</i>	33,728,474
Deferred Inflows of Resources	
Property Taxes	11,319,748
Pension	1,685,866
OPEB	1,844,533
	<hr/>
<i>Total Deferred Inflows of Resources</i>	14,850,147
Net Position	
Net Investment in Capital Assets	4,879,457
Restricted for:	
Capital Projects	367,637
Debt Service	490,854
Other Purposes	275,611
Unrestricted (Deficit)	(9,787,615)
	<hr/>
<i>Total Net Position</i>	(\$3,774,056)

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions			
Governmental Activities						
Instruction:						
Regular	\$5,685,008	\$185,087	\$5,239	\$0		(\$5,494,682)
Special	1,434,713	0	425,676	0		(1,009,037)
Vocational	65,241	0	36,658	0		(28,583)
Student Intervention Services	12,964	0	0	0		(12,964)
Support Services:						
Pupil	960,830	0	38,987	0		(921,843)
Instructional Staff	321,841	0	13,455	0		(308,386)
Board of Education	158,613	0	0	0		(158,613)
Administration	763,891	0	0	0		(763,891)
Fiscal	522,490	0	0	0		(522,490)
Business	25,382	0	0	0		(25,382)
Operation and Maintenance of Plant	1,312,520	11,071	0	0		(1,301,449)
Pupil Transportation	1,313,716	0	0	231,695		(1,082,021)
Central	272,122	0	5,400	0		(266,722)
Operation of Non-Instructional Services:						
Food Service Operations	302,340	182,486	107,078	0		(12,776)
Extracurricular Activities	831,048	300,054	92,542	0		(438,452)
Interest and Fiscal Charges	479,953	0	0	0		(479,953)
Totals	\$14,462,672	\$678,698	\$725,035	\$231,695		(12,827,244)
General Revenues						
Property Taxes Levied for:						
						10,760,419
						811,019
						211,244
Grants and Entitlements not Restricted to Specific Programs						
						2,698,523
Unrestricted Contributions and Donations						
						52,472
Investment Earnings						
						153,156
Miscellaneous						
						138,315
						14,825,148
						Change in Net Position
						1,997,904
						<i>Net Position Beginning of Year</i>
						(5,771,960)
						<i>Net Position End of Year</i>
						(\$3,774,056)

See accompanying notes to the basic financial statements

Kirtland Local School District

*Balance Sheet
Governmental Funds
June 30, 2019*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$7,924,067	\$450,535	\$835,673	\$9,210,275
Accrued Interest Receivable	18,334	0	0	18,334
Accounts Receivable	12,505	0	0	12,505
Intergovernmental Receivable	123,072	0	62,386	185,458
Interfund Receivable	289,782	107,957	0	397,739
Prepaid Items	83,438	0	0	83,438
Property Taxes Receivable	11,470,011	881,146	226,403	12,577,560
<i>Total Assets</i>	<u>\$19,921,209</u>	<u>\$1,439,638</u>	<u>\$1,124,462</u>	<u>\$22,485,309</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	\$66,171	\$0	\$49,683	\$115,854
Contracts Payable	0	0	80,730	80,730
Retainage Payable	0	0	7,020	7,020
Accrued Wages and Benefits	1,488,959	0	0	1,488,959
Interfund Payable	107,957	131,319	158,463	397,739
Intergovernmental Payable	243,976	0	2,076	246,052
<i>Total Liabilities</i>	<u>1,907,063</u>	<u>131,319</u>	<u>297,972</u>	<u>2,336,354</u>
 Deferred Inflows of Resources				
Property Taxes	10,326,659	789,869	203,220	11,319,748
Unavailable Revenue	219,719	12,846	58,938	291,503
<i>Total Deferred Inflows of Resources</i>	<u>10,546,378</u>	<u>802,715</u>	<u>262,158</u>	<u>11,611,251</u>
 Fund Balances				
Nonspendable	83,438	0	0	83,438
Restricted	0	505,604	537,828	1,043,432
Committed	0	0	74,929	74,929
Assigned	524,827	0	0	524,827
Unassigned (Deficit)	6,859,503	0	(48,425)	6,811,078
<i>Total Fund Balances</i>	<u>7,467,768</u>	<u>505,604</u>	<u>564,332</u>	<u>8,537,704</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$19,921,209</u>	<u>\$1,439,638</u>	<u>\$1,124,462</u>	<u>\$22,485,309</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2019*

Total Governmental Fund Balances	\$8,537,704
 <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.	16,367,038
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	177,088
Intergovernmental	55,449
Tuition and Fees	8,470
Ohio Bureau of Workers' Compensation Rebate	<u>50,496</u>
Total	291,503
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.	649,718
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(12,246,830)
Compensated Absences Payable	<u>(1,366,672)</u>
Total	(13,613,502)
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.	(27,596)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(46,642)
The net pension liability and net OPEB asset/liability is not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	4,521,180
Deferred Inflows - Pension	(1,685,866)
Net Pension Liability	(16,653,391)
Net OPEB Asset	999,035
Deferred Outflows - OPEB	180,024
Deferred Inflows - OPEB	(1,844,533)
Net OPEB Liability	<u>(1,448,728)</u>
Total	<u>(15,932,279)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>(\$3,774,056)</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$10,786,876	\$812,235	\$211,712	\$11,810,823
Intergovernmental	2,620,882	124,373	756,768	3,502,023
Interest	149,294	3,349	513	153,156
Tuition and Fees	178,903	0	0	178,903
Extracurricular Activities	57,405	0	243,549	300,954
Contributions and Donations	52,472	0	97,781	150,253
Charges for Services	12,000	0	182,486	194,486
Rentals	11,071	0	0	11,071
Miscellaneous	138,315	0	0	138,315
<i>Total Revenues</i>	<u>14,007,218</u>	<u>939,957</u>	<u>1,492,809</u>	<u>16,439,984</u>
Expenditures				
Current:				
Instruction:				
Regular	6,281,518	0	4,948	6,286,466
Special	1,376,871	0	271,682	1,648,553
Vocational	65,241	0	0	65,241
Student Intervention Services	25,859	0	0	25,859
Support Services:				
Pupil	1,166,729	0	29,437	1,196,166
Instructional Staff	320,213	0	30,256	350,469
Board of Education	152,891	0	0	152,891
Administration	937,627	0	13,567	951,194
Fiscal	526,778	11,794	5,143	543,715
Business	25,382	0	0	25,382
Operation and Maintenance of Plant	1,162,754	0	214,325	1,377,079
Pupil Transportation	1,261,712	0	350,000	1,611,712
Central	270,461	0	10,245	280,706
Food Service Operations	40,424	0	261,500	301,924
Extracurricular Activities	530,316	0	299,431	829,747
Capital Outlay	0	0	112,929	112,929
Debt Service:				
Principal Retirement	0	675,000	0	675,000
Interest and Fiscal Charges	0	341,978	0	341,978
<i>Total Expenditures</i>	<u>14,144,776</u>	<u>1,028,772</u>	<u>1,603,463</u>	<u>16,777,011</u>
<i>Net Change in Fund Balances</i>	(137,558)	(88,815)	(110,654)	(337,027)
<i>Fund Balances Beginning of Year</i>	<u>7,605,326</u>	<u>594,419</u>	<u>674,986</u>	<u>8,874,731</u>
<i>Fund Balances End of Year</i>	<u><u>\$7,467,768</u></u>	<u><u>\$505,604</u></u>	<u><u>\$564,332</u></u>	<u><u>\$8,537,704</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019*

Net Change in Fund Balances - Total Governmental Funds (\$337,027)

*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	479,544	
Depreciation	(667,602)	
Total		(188,058)

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

Delinquent Property Taxes	(28,141)	
Intergovernmental	55,449	
Tuition and Fees	(6,716)	
Ohio Bureau of Workers' Compensation Rebate	50,496	
Total		71,088

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

Accrued Interest	1,805	
Accretion on Capital Appreciation Bonds	(75,369)	
Amortization of Accounting Loss	(139,811)	
Amortization of Bond Premium	75,400	
Total		(137,975)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 675,000

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

Compensated Absences	(39,433)	
Accrued Vacation Leave Payable	(779)	
Total		(40,212)

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

Pension	1,197,352	
OPEB	37,214	
Total		1,234,566

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

Pension	(1,440,823)	
OPEB	2,161,345	
Total		720,522

Change in Net Position of Governmental Activities \$1,997,904

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, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$12,674,807	\$12,674,807	\$12,277,619	(\$397,188)
Intergovernmental	2,404,113	2,438,450	2,388,092	(50,358)
Interest	152,984	44,552	151,965	107,413
Tuition and Fees	126,662	251,890	125,818	(126,072)
Extracurricular Activities	57,219	59,963	56,838	(3,125)
Contributions and Donations	42,757	29,477	42,472	12,995
Charges for Services	12,080	34,570	12,000	(22,570)
Rentals	12,442	11,557	12,359	802
Miscellaneous	140,242	170,805	139,307	(31,498)
<i>Total Revenues</i>	15,623,306	15,716,071	15,206,470	(509,601)
Expenditures				
Current:				
Instruction:				
Regular	6,906,773	6,647,472	6,275,720	371,752
Special	1,447,974	1,447,974	1,366,180	81,794
Vocational	68,200	68,200	64,151	4,049
Student Intervention Services	19,820	26,356	26,356	0
Support Services:				
Pupil	1,285,648	1,285,648	1,209,955	75,693
Instructional Staff	342,116	342,116	328,360	13,756
Board of Education	205,131	205,131	194,818	10,313
Administration	1,000,364	1,000,364	950,494	49,870
Fiscal	560,416	560,416	527,793	32,623
Business	26,525	26,525	24,950	1,575
Operation and Maintenance of Plant	1,232,594	1,232,594	1,181,147	51,447
Pupil Transportation	1,133,209	1,133,209	1,067,701	65,508
Central	287,194	287,194	270,157	17,037
Food Service Operations	41,485	41,485	39,037	2,448
Extracurricular Activities	580,098	580,098	545,657	34,441
Capital Outlay	0	160,000	11,100	148,900
<i>Total Expenditures</i>	15,137,547	15,044,782	14,083,576	961,206
<i>Excess of Revenues Over (Under) Expenditures</i>	485,759	671,289	1,122,894	451,605
Other Financing Sources (Uses)				
Advances Out	(100,110)	(100,110)	(100,110)	0
<i>Net Change in Fund Balance</i>	385,649	571,179	1,022,784	451,605
<i>Fund Balance Beginning of Year</i>	6,320,238	6,320,238	6,320,238	0
Prior Year Encumbrances Appropriated	56,161	56,161	56,161	0
<i>Fund Balance End of Year</i>	\$6,762,048	\$6,947,578	\$7,399,183	\$451,605

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2019

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$84,223</u></u>
Liabilities	
Due to Students	<u><u>\$84,223</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 39 non-certified employees, 77 certified full-time teaching personnel, and 10 administrative employees who provide services to 1,252 students and other community members. The School District currently operates three school buildings, an administrative building, and a bus garage.

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

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

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, 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.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

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

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

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

Measurement Focus

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Basis of Accounting

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes,

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

intergovernmental, tuition and fees and Ohio Bureau of Workers' Compensation rebate. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 22 and 23)

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Data

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

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 2019, investments were limited to federal farm credit bank notes, federal home loan mortgage corporation notes, federal home loan bank bonds and STAR Ohio.

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

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$149,294, which includes \$18,720 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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Interfund Balances

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

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the 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.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Bond Premiums

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

Capital Assets

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

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

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

<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. Since the School District's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "accrued vacation leave payable" on the statement of net position rather than as a long-term liability.

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

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

Fund Balance

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

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

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

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund for uniform school supplies and the cell tower lease.

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 Principle

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

Note 4 - Fund Balance

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepays	\$83,438	\$0	\$0	\$83,438
<i>Restricted for:</i>				
Education Foundation	0	0	88,892	88,892
Athletics and Music	0	0	101,054	101,054
Non-Public Schools	0	0	33,174	33,174
Technology	0	0	2,700	2,700
Special Education Donations	0	0	460	460
Food Service	0	0	35,150	35,150
Debt Service Payments	0	505,604	0	505,604
Capital Improvements	0	0	276,398	276,398
<i>Total Restricted</i>	0	505,604	537,828	1,043,432
<i>Committed to:</i>				
College Scholarships	0	0	74,929	74,929
<i>Assigned to:</i>				
Uniform School Supplies	59,402	0	0	59,402
Cell Tower Lease	355,000	0	0	355,000
Purchases on Order				
Instruction	75,622	0	0	75,622
Support Services	34,803	0	0	34,803
<i>Total Assigned</i>	524,827	0	0	524,827
<i>Unassigned (Deficit)</i>	6,859,503	0	(48,425)	6,811,078
<i>Total Fund Balances</i>	\$7,467,768	\$505,604	\$564,332	\$8,537,704

Note 5 – Accountability and Compliance

Accountability

The following funds had deficit fund balances at June 30, 2019:

	Amount
<i>Special Revenue Funds:</i>	
Title VI-B	\$28,237
Title I	15,000
Improving Teacher Quality	4,037
Preschool Disabilities	1,100
Title II-D	51

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.

Compliance

The School District had negative cash balances indicating that revenue from other sources was used to pay the obligations of these funds contrary to Ohio Revised Code Section 5705.10.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

<i>Special Revenue Funds:</i>	<u>Amount</u>
Title I	\$6,504
Preschool Disabilities	433

As of June 30, 2019, the permanent improvement capital projects fund had final appropriations in excess of estimated resources plus carryover balances, contrary to Ohio Revised Code Section 5705.39 in the amount of \$167,817.

Management has indicated that cash and appropriations will be closely monitored to prevent future violations.

Note 6 - Budgetary Basis of Accounting

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

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

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

Kirtland Local School District
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Net Change in Fund Balance	
GAAP Basis	(\$137,558)
Net Adjustment for Revenue Accruals	1,271,396
Net Adjustment for Expenditure Accruals	(80,898)
Beginning Fair Value Adjustment for Investments	5,004
Ending Fair Value Adjustment for Investments	3,312
Advances Out	100,110
Perspective Difference:	
Uniform School Supplies	(18,274)
Encumbrances	(120,308)
Budget Basis	<u>\$1,022,784</u>

Note 7 – Deposits and Investments

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

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

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

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

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

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

At year end, the School District had \$8,250 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Investments

Investments are reported at fair value. As of June 30, 2019, the School District had the following investments:

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Measurement/Investment	Measurement Amount	Maturity	Investment Rating	Percent of Total Investments
Net Asset Value Per Share				
STAR Ohio	\$454,844	53.3 days	AAAm	43.12 %
Fair Value - Level Two Inputs				
Federal Farm Credit Bank Notes	300,001	Less than three years	Aaa	28.44
Federal Home Loan Mortgage Corporation Notes	100,027	Less than four years	Aaa	9.48
Federal Home Loan Bank Bonds	200,021	Less than four years	Aaa	18.96
Total Fair Value - Level Two Inputs	600,049			
Total Investments	\$1,054,893			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2019. The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

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

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

Note 8 - Receivables

Receivables at June 30, 2019, 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.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
School Employees Retirement System	\$54,934
Bureau of Workers' Compensation	50,496
IDEA Part B - Special Education	37,400
State of Ohio Medicaid Reimbursement	17,601
Title I	14,787
Improving Teacher Quality	5,600
Straight A - Technology	3,455
Preschool Disabilities	1,144
Mentor Public School	<u>41</u>
Total Intergovernmental Receivable	<u>\$185,458</u>

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2019, represent the collection of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Lake and Geauga Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 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, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources – property taxes.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The amount available as an advance at June 30, 2019 was \$982,599 in the general fund, \$78,431 in the bond retirement fund and \$19,694 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2018 was \$1,563,162 in the general fund, \$198,049 in the bond retirement fund and \$32,915 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural and Other Real Estate	\$313,904,470	96.02 %	\$342,386,590	96.36 %
Public Utility Personal	13,016,680	3.98	12,942,810	3.64
Total	\$326,921,150	100.00 %	\$355,329,400	100.00 %
Tax rate per \$1,000 of assessed valuation	\$77.40		\$75.96	

The County's six year reappraisal was performed in fiscal year 2019. Assessed values increased, which decreased the emergency and bond levies by 1.29 and .15 mills, respectively.

Note 10 – Vacation and Sick Leave

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$813,790	\$0	\$0	\$813,790
Construction in Progress	0	104,250	0	104,250
<i>Total Capital Assets, not being depreciated</i>	<u>813,790</u>	<u>104,250</u>	<u>0</u>	<u>918,040</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,666,631	0	0	2,666,631
Buildings and Improvements	21,034,369	0	0	21,034,369
Furniture and Equipment	581,217	23,846	0	605,063
Vehicles	1,722,589	351,448	0	2,074,037
<i>Total Capital Assets, being depreciated</i>	<u>26,004,806</u>	<u>375,294</u>	<u>0</u>	<u>26,380,100</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,468,418)	(105,481)	0	(1,573,899)
Buildings and Improvements	(7,011,746)	(407,734)	0	(7,419,480)
Furniture and Equipment	(364,007)	(25,716)	0	(389,723)
Vehicles	(1,419,329)	(128,671)	0	(1,548,000)
<i>Total Accumulated Depreciation</i>	<u>(10,263,500)</u>	<u>(667,602) *</u>	<u>0</u>	<u>(10,931,102)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u>15,741,306</u>	<u>(292,308)</u>	<u>0</u>	<u>15,448,998</u>
Governmental Activities Capital Assets, Net	<u><u>\$16,555,096</u></u>	<u><u>(\$188,058)</u></u>	<u><u>\$0</u></u>	<u><u>\$16,367,038</u></u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$490,927
Support Services:	
Board of Education	5,722
Administration	17,130
Operation of Plant	8,543
Pupil Transportation	136,380
Food Service Operations	416
Extracurricular Activities	8,484
<i>Total Depreciation Expense</i>	<u><u>\$667,602</u></u>

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District contracted with Liberty Mutual Insurance Co. for various types of insurance. Coverage is as follows:

Coverage	Amount
Blanket Building and Contents (\$1,000 Deductible)	\$44,973,312
Extra Expense Coverage	10,000,000
Crime	250,000
General Liability	1,000,000
Employee Benefits Liability	1,000,000
Employer's Liability	1,000,000
School Leader's Errors and Omissions Liability	1,000,000
Sexual Misconduct and Molestation	1,000,000
Fleet	1,000,000
Uninsured Motorists	1,000,000
Boiler and Machinery	44,973,312
Violence Coverage	1,000,000

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

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

Employee Medical Coverage

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

Workers' Compensation

For fiscal year 2019, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Retro-Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Health Systems Incorporated, provides administrative, cost control and actuarial services to the GRP.

Litigation

As of June 30, 2019, the School District was not party to any legal proceedings.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 13 – Interfund Balances

Interfund balances at June 30, 2019, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable		
	General	Bond Retirement	Total
Major Funds:			
General	\$0	\$107,957	\$107,957
Bond Retirement	131,319		131,319
Other Governmental Funds:			
Title VI-B	28,265	0	28,265
Title I	21,504	0	21,504
Title VI-R	7,000	0	7,000
Preschool Disabilities	1,533	0	1,533
Title II-D	51	0	51
Permanent Improvement	100,110	0	100,110
Total	\$289,782	\$107,957	\$397,739

The interfund payables are advances for grant monies that were not received by fiscal year end and were to support programs and projects in the special revenue funds. The interfund payable in the permanent improvement fund was an advance to support capital projects. The interfund payable from the bond retirement fund to the general fund was for property taxes that were posted to the wrong fund in the prior year. Advances will be repaid within one year.

Note 14 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2019.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Kirtland Local School District
Notes to the Basic Financial Statements
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Note 15 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2019 were as follows:

	Principal Outstanding 6/30/18	Additions	Deductions	Principal Outstanding 6/30/19	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
2013 School Improvement Refunding Bonds 1.25 - 3.00%					
Current Interest Serial Bonds	\$8,125,000	\$0	\$115,000	\$8,010,000	\$115,000
Capital Appreciation Bonds	14,992	0	0	14,992	0
Accretion on Capital Appreciation Bonds	121,912	75,369	0	197,281	0
Premium on Bonds	901,857	0	56,808	845,049	0
2016 School Improvement Refunding Bonds 3.56%					
Current Interest Serial Bonds	3,535,000	0	560,000	2,975,000	585,000
Premium on Bonds	223,100	0	18,592	204,508	0
Total General Obligation Bonds	12,921,861	75,369	750,400	12,246,830	700,000
Compensated Absences	1,327,239	449,034	409,601	1,366,672	171,859
Net Pension Liability					
SERS	3,050,513	0	67,268	2,983,245	0
STRS	14,997,458	0	1,327,312	13,670,146	0
Total Net Pension Liability	18,047,971	0	1,394,580	16,653,391	0
Net OPEB Liability					
SERS	1,381,998	66,730	0	1,448,728	0
STRS	2,463,230	0	2,463,230	0	0
Total Net OPEB Liability	3,845,228	66,730	2,463,230	1,448,728	0
Total Governmental Activities Long-Term Liabilities	\$36,142,299	\$591,133	\$5,017,811	\$31,715,621	\$871,859

On May 16, 2013, the School District issued \$8,599,992 in general obligation bonds which included serial and capital appreciation (deep discount) bonds, to partially refund bonds previously issued in 2006 for school improvements in the amount of \$8,600,000. The bonds were issued with interest rates varying from 1.25 to 3 percent. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2019, \$5,040,000 of the defeased bonds are still outstanding. The bonds were issued for a 20 year period with final maturity during fiscal year 2034. The bonds will be retired through the bond retirement fund.

The final maturity amount of outstanding capital appreciation bonds is \$1,460,000. The accretion recorded for fiscal year 2019 was \$75,369, for a total outstanding bond liability of \$212,273.

On October 22, 2015, the School District issued \$4,525,000 in general obligation serial bonds to partially refund bonds previously issued in 2006 and 2007 for school improvements in the amounts of \$3,390,000 and \$1,235,000, respectively. The bonds were issued with a fixed interest rate of 3.56 percent. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds.

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Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2019, \$3,040,000 of the defeased bonds are still outstanding. The bonds were issued for a 15 year period with final maturity during fiscal year 2030. The bonds will be retired through the bond retirement fund.

The School District's overall legal debt margin at June 30, 2019 was \$21,287,977 with an unvoted debt margin of \$355,329. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2019, are as follows:

	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2020	\$700,000	\$475,247	\$0	\$0
2021	725,000	453,976	0	0
2022	745,000	431,993	0	0
2023	415,000	408,275	5,555	359,445
2024	95,000	391,028	7,063	712,937
2025-2029	3,895,000	1,424,495	2,374	372,626
2030-2034	4,410,000	479,548	0	0
2035	0	0	0	0
Total	\$10,985,000	\$4,064,562	\$14,992	\$1,445,008

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

Note 16 - Set Asides

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

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

	Capital Improvements
Set-aside Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	214,400
Current Year Offsets	(224,933)
Qualifying Disbursements	(233,834)
Totals	(\$244,367)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2019	\$0

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

Note 17 - Jointly Governed Organizations

Lake Geauga Computer Association - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 19 member school districts. Each of the participants supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the participants. The LGCA's governing board's exercises total control over the operations of the LGCA including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. LGCA's continued existence is not dependent upon the School District's continued participation. In fiscal year 2019, the School District paid \$72,225 to the LGCA. Financial information can be obtained by writing the Lake Geauga Computer Association, 8221 Auburn Road, Concord Township, Ohio 44077.

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

Ohio Schools Council Association - The Ohio Schools Council (Council) is a jointly governed organization among 200 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The degree of control exercised by any participating school district is limited to its representation on the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The Assembly exercises total control over the operations of the Ohio Schools Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. In fiscal year 2019, the School District paid \$1,158 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy was the supplier from July 1, 2018 to June 30, 2019 and again from July 1, 2019 through June 30, 2022. There are currently 163 participants in the program. 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

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that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the October or November monthly estimated billing.

Note 18 – Claims Servicing Pool

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

Note 19 - Related Organization

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

Note 20 - Insurance Purchasing Pool

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

Note 21 - Encumbrances

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

General	\$120,308
Other Governmental Funds	<u>497,663</u>
Totals	<u><u>\$617,971</u></u>

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Note 22 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability(Asset)

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$219,445 for fiscal year 2019. Of this amount \$13,028 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$977,907 for fiscal year 2019. Of this amount \$131,261 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.05105650%	0.06313333%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.05208920%</u>	<u>0.06217164%</u>	
Change in Proportionate Share	<u>0.00103270%</u>	<u>-0.00096169%</u>	
Proportionate Share of the Net			
Pension Liability	\$2,983,245	\$13,670,146	\$16,653,391
Pension Expense	\$32,958	\$1,407,865	\$1,440,823

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$163,612	\$315,549	\$479,161
Changes of assumptions	67,368	2,422,608	2,489,976
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	33,875	320,816	354,691
School District contributions subsequent to the measurement date	<u>219,445</u>	<u>977,907</u>	<u>1,197,352</u>
Total Deferred Outflows of Resources	<u>\$484,300</u>	<u>\$4,036,880</u>	<u>\$4,521,180</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$89,274	\$89,274
Net difference between projected and actual earnings on pension plan investments	82,657	828,943	911,600
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>253,194</u>	<u>431,798</u>	<u>684,992</u>
Total Deferred Inflows of Resources	<u>\$335,851</u>	<u>\$1,350,015</u>	<u>\$1,685,866</u>

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\$1,197,352 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$63,792	\$1,267,121	\$1,330,913
2021	(11,536)	709,341	697,805
2022	(97,902)	(49,824)	(147,726)
2023	(25,350)	(217,680)	(243,030)
Total	(\$70,996)	\$1,708,958	\$1,637,962

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and

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

The most recent experience study was completed for the five year period ended June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,202,125	\$2,983,245	\$1,961,295

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Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$19,963,451	\$13,670,146	\$8,434,720

Note 23 - Defined Benefit OPEB Plans

See note 22 for a description of the net OPEB liability

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$29,086.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$37,214 for fiscal year 2019. Of this amount \$29,569 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.05149530%	0.06313333%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.05222020%</u>	<u>0.06217164%</u>	
Change in Proportionate Share	<u>0.00072490%</u>	<u>-0.00096169%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$1,448,728	\$0	\$1,448,728
Net OPEB (Asset)	\$0	(\$999,035)	(\$999,035)
OPEB Expense	\$22,809	(\$2,184,154)	(\$2,161,345)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$23,648	\$116,689	\$140,337
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	2,473	0	2,473
School District contributions subsequent to the measurement date	<u>37,214</u>	<u>0</u>	<u>37,214</u>
Total Deferred Outflows of Resources	<u>\$63,335</u>	<u>\$116,689</u>	<u>\$180,024</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$58,207	\$58,207
Changes of assumptions	130,158	1,361,264	1,491,422
Net difference between projected and actual earnings on OPEB plan investments	2,174	114,132	116,306
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>86,532</u>	<u>92,066</u>	<u>178,598</u>
Total Deferred Inflows of Resources	<u>\$218,864</u>	<u>\$1,625,669</u>	<u>\$1,844,533</u>

\$37,214 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	(\$101,679)	(\$270,953)	(\$372,632)
2021	(78,317)	(270,953)	(349,270)
2022	(4,329)	(270,954)	(275,283)
2023	(3,404)	(245,034)	(248,438)
2024	(3,555)	(235,937)	(239,492)
Thereafter	(1,459)	(215,149)	(216,608)
Total	<u>(\$192,743)</u>	<u>(\$1,508,980)</u>	<u>(\$1,701,723)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented as follows:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$1,757,919	\$1,448,728	\$1,203,909

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$1,168,859	\$1,448,728	\$1,819,328

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$856,266)	(\$999,035)	(\$1,119,025)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,112,251)	(\$999,035)	(\$884,055)

Required Supplementary Information

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

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.05208920%	0.05105650%	0.05717570%
School District's Proportionate Share of the Net Pension Liability	\$2,983,245	\$3,050,513	\$4,184,734
School District's Covered Payroll	\$1,677,844	\$1,700,064	\$1,770,100
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	177.80%	179.44%	236.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.06386600%	0.06459500%	0.06459500%
\$3,644,256	\$3,269,116	\$3,841,257
\$1,815,986	\$1,884,595	\$1,889,511
200.68%	173.47%	203.29%
69.16%	71.70%	65.52%

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.05222020%	0.05149530%	0.05773980%
School District's Proportionate Share of the Net OPEB Liability	\$1,448,728	\$1,381,998	\$1,645,798
School District's Covered Payroll	\$1,677,844	\$1,700,064	\$1,770,100
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	86.34%	81.29%	92.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.06217164%	0.06313333%	0.06464636%
School District's Proportionate Share of the Net Pension Liability	\$13,670,146	\$14,997,458	\$21,639,085
School District's Covered Payroll	\$7,094,879	\$7,031,914	\$6,772,036
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	192.68%	213.28%	319.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.06327032%	0.06026351%	0.06026351%
\$17,486,068	\$14,658,172	\$17,460,718
\$5,954,579	\$5,884,615	\$6,314,408
293.66%	249.09%	276.52%
72.10%	74.70%	69.30%

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.06217164%	0.06313333%	0.06464636%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$999,035)	\$2,463,230	\$3,457,304
School District's Covered Payroll	\$7,094,879	\$7,031,914	\$6,772,036
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	-14.08%	35.03%	51.05%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$219,445	\$226,509	\$238,009	\$247,814
Contributions in Relation to the Contractually Required Contribution	<u>(219,445)</u>	<u>(226,509)</u>	<u>(238,009)</u>	<u>(247,814)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,625,519	\$1,677,844	\$1,700,064	\$1,770,100
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	37,214	33,828	26,608	28,352
Contributions in Relation to the Contractually Required Contribution	<u>(37,214)</u>	<u>(33,828)</u>	<u>(26,608)</u>	<u>(28,352)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.29%</u>	<u>2.02%</u>	<u>1.57%</u>	<u>1.60%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.79%</u>	<u>15.52%</u>	<u>15.57%</u>	<u>15.60%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$239,347	\$261,205	\$261,508	\$282,179	\$257,339	\$260,424
(239,347)	(261,205)	(261,508)	(282,179)	(257,339)	(260,424)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,815,986	\$1,884,595	\$1,889,511	\$2,097,984	\$2,047,248	\$1,923,365
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
48,627	35,443	34,778	30,283	59,754	37,003
(48,627)	(35,443)	(34,778)	(30,283)	(59,754)	(37,003)
\$0	\$0	\$0	\$0	\$0	\$0
2.68%	1.88%	1.84%	1.44%	2.92%	1.92%
15.86%	15.74%	15.68%	14.89%	15.49%	15.46%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$977,907	\$993,283	\$984,468	\$948,085
Contributions in Relation to the Contractually Required Contribution	<u>(977,907)</u>	<u>(993,283)</u>	<u>(984,468)</u>	<u>(948,085)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (2)	\$6,985,050	\$7,094,879	\$7,031,914	\$6,772,036
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$833,641	\$765,600	\$820,873	\$662,091	\$847,894	\$852,015
(833,641)	(765,600)	(820,873)	(662,091)	(847,894)	(852,015)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,954,579	\$5,884,615	\$6,314,408	\$5,093,008	\$6,522,262	\$6,553,962
14.00%	13.01%	13.00%	13.00%	13.00%	13.00%
\$0	\$58,246	\$63,144	\$50,930	\$65,223	\$65,540
0	(58,246)	(63,144)	(50,930)	(65,223)	(65,540)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.99%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Kirtland Local School District, Ohio
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Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

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

Changes in Assumptions - STRS

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

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

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

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

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

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Changes in Benefit Terms – STRS OPEB

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

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