



Dave Yost • Auditor of State

**KIRTLAND LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio, (the District) as of and for the years ended June 30, 2010 and, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio, as of June 30, 2010 and 2009, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof and for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Dave Yost
Auditor of State

May 26, 2011

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

This 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, 2010, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and the notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for 2010 are as follows:

Net assets of the School District's governmental activities decreased from the prior fiscal year, mainly due to a slight decrease receipts and an increase in daily expenses.

The School District's general fund receipts are primarily property taxes. With little commercial property and still undeveloped residential property within the School District's territory, the School District saw a minimal downturn in tax revenues in fiscal year 2010.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of School District Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the School District's government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Kirtland Local School District
Management's Discussion and Analysis
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Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the School District into two types of activities:

Governmental activities. Most of the School District's basic services are reported here, including instruction, support services, food service operations and extracurricular activities. State and federal grants and local property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The School District has one business-type activity, acting as the fiscal agent for a special education transportation consortium accounting for transportation costs dated prior to June 30, 2007.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
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District's major governmental funds are the General and Building Capital Projects Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The School District has one enterprise fund, the transportation fund. When the services are provided to other departments of the School District, the service is reported as an internal service fund. The School District has no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the School District-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2009 compared to fiscal year 2008 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$9,725,036</u>	<u>\$11,597,458</u>	<u>\$155,151</u>	<u>\$630,104</u>	<u>\$9,880,187</u>	<u>\$12,227,562</u>
Net Assets						
Restricted for:						
Capital Outlay	\$618,402	\$2,315,037	\$0	\$0	\$618,402	\$2,315,037
Debt Service	262,069	374,308	0	0	262,069	374,308
Set Asides	373,197	273,364	0	0	373,197	273,364
Other Purposes	368,641	246,137	0	0	368,641	246,137
Unrestricted	<u>8,102,727</u>	<u>8,388,612</u>	<u>155,151</u>	<u>630,104</u>	<u>8,257,878</u>	<u>9,018,716</u>
Total Net Assets	<u>\$9,725,036</u>	<u>\$11,597,458</u>	<u>\$155,151</u>	<u>\$630,104</u>	<u>\$9,880,187</u>	<u>\$12,227,562</u>

Net assets of the governmental activities decreased during fiscal year 2010. Overall revenues decreased during the year, while everyday expenses continued to increase. Large decreases in interest revenue and tuition and fees were partially offset by increases in extracurricular activities and contributions and donations.

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

Table 2 reflects the changes in net assets in fiscal year 2010 compared to fiscal year 2009 on a cash basis:

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2010	2009	2010	2009	2010	2009
Receipts						
<i>Program Receipts</i>						
Charges for Services and Sales	\$764,176	\$807,442	\$27,151	\$329,579	\$791,327	\$1,137,021
Operating Grants, Contributions and Interest	798,633	752,375	0	0	798,633	752,375
Capital Grants and Contributions	40,338	68,463	0	0	40,338	68,463
<i>Total Program Receipts</i>	<u>1,603,147</u>	<u>1,628,280</u>	<u>27,151</u>	<u>329,579</u>	<u>1,630,298</u>	<u>1,957,859</u>
<i>General Receipts</i>						
Property Taxes	11,277,110	11,318,530	0	0	11,277,110	11,318,530
Grants and Entitlements Not Restricted to Specific Programs	2,741,649	2,515,022	0	0	2,741,649	2,515,022
Unrestricted Contributions and Donations	0	32	0	0	0	32
Sale of Capital Assets	1,520	50,000	0	0	1,520	50,000
Interest	34,425	236,113	0	0	34,425	236,113
Miscellaneous	28,503	64,397	0	0	28,503	64,397
<i>Total General Receipts</i>	<u>14,083,207</u>	<u>14,184,094</u>	<u>0</u>	<u>0</u>	<u>14,083,207</u>	<u>14,184,094</u>
<i>Total Receipts</i>	<u>\$15,686,354</u>	<u>\$15,812,374</u>	<u>\$27,151</u>	<u>\$329,579</u>	<u>\$15,713,505</u>	<u>\$16,141,953</u>

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

(Table 2 (continued))
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2010	2009	2010	2009	2010	2009
Disbursements						
Instruction:						
Regular	\$6,003,666	\$5,706,629	\$0	\$0	\$6,003,666	\$5,706,629
Special	1,350,703	1,154,296	0	0	1,350,703	1,154,296
Vocational	94,554	49,111	0	0	94,554	49,111
Intervention	135,175	111,771	0	0	135,175	111,771
Support Services:						
Pupil	934,291	735,871	0	0	934,291	735,871
Instructional Staff	507,523	532,461	0	0	507,523	532,461
Board of Education	379,256	153,316	0	0	379,256	153,316
Administration	1,043,394	982,323	0	0	1,043,394	982,323
Fiscal	469,450	479,536	0	0	469,450	479,536
Business	23,198	26,315	0	0	23,198	26,315
Operation and Maintenance of Plant	1,317,483	1,336,519	0	0	1,317,483	1,336,519
Pupil Transportation	1,198,589	969,004	0	0	1,198,589	969,004
Central	143,998	149,227	0	0	143,998	149,227
Operation of Non-Instructional Services	116,890	154,570	0	0	116,890	154,570
Operation of Food Services	245,194	233,591	0	0	245,194	233,591
Extracurricular Activities	762,324	753,499	0	0	762,324	753,499
Capital Outlay	1,957,516	9,276,053	0	0	1,957,516	9,276,053
Debt Service:						
Principal	570,000	640,000	0	0	570,000	640,000
Interest and Fiscal Charges	662,631	682,838	0	0	662,631	682,838
Capital Appreciation						
Bonds Interest	120,000	0	0	0	120,000	0
Transportation	0	0	25,045	568,971	25,045	568,971
<i>Total Disbursements</i>	<u>18,035,835</u>	<u>24,126,930</u>	<u>25,045</u>	<u>568,971</u>	<u>18,060,880</u>	<u>24,695,901</u>
Excess Before Transfers	(2,349,481)	(8,314,556)	2,106	(239,392)	(2,347,375)	(8,553,948)
Transfers	477,059	0	(477,059)	0	0	0
Change in Net Assets	(1,872,422)	(8,314,556)	(474,953)	(239,392)	(2,347,375)	(8,553,948)
Net Assets Beginning of Year	11,597,458	19,912,014	630,104	869,496	12,227,562	20,781,510
Net Assets End of Year	<u>\$9,725,036</u>	<u>\$11,597,458</u>	<u>\$155,151</u>	<u>\$630,104</u>	<u>\$9,880,187</u>	<u>\$12,227,562</u>

Total program receipts represent only a small portion of total receipts and are primarily comprised of charges for services and sales, operating and capital grants and contributions.

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

General receipts represent the majority of the School District's total receipts, and of this amount, the majority are local taxes. Grants and entitlements also make up a significant portion of the School District's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The School District was responsible for providing educational services to 1,163 students. Most governmental disbursements increased in fiscal year 2010 due to increases in salaries and benefits based on negotiated contracts and necessary increases in spending. Capital Outlay decreased significantly due to a majority of the 2007 bond proceeds were spent in fiscal year 2009.

Total disbursements are made up of two main areas: instructional and support services. Instructional costs made up 42.05 percent of all governmental disbursements. Support services are made up of many subsections. Support services provide services such as busing, libraries, guidance, nursing services, building and ground maintenance, administration, board of education and fiscal. Other areas of disbursements are non-instructional services, food services, extracurricular activities, capital outlay and debt service. Food services and extracurricular activities generate revenue through sales and fees.

Governmental Activities

If you look at the Statement of Activities on page 14, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction, maintenance of property and capital outlay. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

(Table 3)
Governmental Activities

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Disbursements				
Instruction:				
Regular	\$6,003,666	\$5,682,850	\$5,706,629	\$5,197,092
Special	1,350,703	1,190,696	1,154,296	908,367
Vocational	94,554	94,554	49,111	49,111
Intervention	135,175	135,175	111,771	111,771
Support Services:				
Pupil	934,291	756,926	735,871	667,496
Instructional Staff	507,523	390,173	532,461	463,653
Board of Education	379,256	379,256	153,316	153,316
Administration	1,043,394	1,043,394	982,323	982,323
Fiscal	469,450	469,450	479,536	475,120
Business	23,198	23,198	26,315	26,315
Operation and Maintenance of Plant	1,317,483	1,317,483	1,336,519	1,336,519
Pupil Transportation	1,198,589	1,091,379	969,004	879,389
Central	143,998	132,139	149,227	135,227
Operation of Non-Instructional Services	116,890	25,515	154,570	40,735
Operation of Food Services	245,194	9,303	233,591	17,209
Extracurricular Activities	762,324	421,388	753,499	524,579
Capital Outlay	1,957,516	1,917,178	9,276,053	9,207,590
Debt Service:				
Principal	570,000	570,000	640,000	640,000
Interest and Fiscal Charges	662,631	662,631	682,838	682,838
Capital Appreciation Bond Interest	120,000	120,000	0	0
<i>Total Disbursements</i>	<u>\$18,035,835</u>	<u>\$16,432,688</u>	<u>\$24,126,930</u>	<u>\$22,498,650</u>

The dependence upon property tax receipts is apparent as over half of governmental activities are supported through these general receipts.

Business-type Activities

The School District is the fiscal agent for a special education transportation consortium operation that is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The consortium ceased operations in fiscal year 2007 and final disbursements were made in fiscal year 2010.

The School District's Funds

Total governmental funds had receipts of \$15,684,834 and disbursements of \$18,035,835.

General fund disbursements exceeded receipts by \$644,019 indicating that the general fund is using carryover fund balance to support current year operations. The building capital projects fund disbursements were \$1,632,187 as construction progressed and the School District continued to spend down the bond proceeds.

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During fiscal year 2010, the School District amended its general fund budget several times to reflect changing circumstances, such as the hiring of intervention tutors and new rates for health insurance and workers' compensation. Final budgeted receipts exceeded original budgeted receipts due to additional tax receipts. The difference between final budgeted receipts and actual receipts was less than one percent and is not significant.

Final disbursements were budgeted at \$14,614,416 while actual disbursements were \$13,776,257.

Capital Assets and Debt Administration

Capital Assets

The School District maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

Debt

At June 30, 2010, the School District's outstanding debt included \$15,704,522 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

Current Issues

The School District is always presented with challenges and opportunities. Economic conditions as of yet have not had a material impact on the School District's tax revenue, as residential property comprises 95.4 percent of total taxable value. The most recent five year forecast adopted by the Board of Education predicts a new operating levy will need to be approved in 2011 for collection in the 2012 school year. The last new operating levy was approved in 2003.

In the spring of 2010 the School District was found to be in violation of federal and/or state laws relating to the education of various students with disabilities. The School District has submitted a resolution to the Ohio Department of Education to address these violations and the Department of Education has accepted the School District's proposed resolutions.

The School District was also named in a complaint filed with the U.S. Department of Education Office for Civil Rights (OCR) alleging the School District denied students with disabilities a free and appropriate education. OCR determined there was insufficient evidence to conclude the School District discriminated against students based on their disability with respect to the time frame the OCR had time jurisdiction to review. OCR did find that the School District's 504 policies and procedures fail to comply fully with Section 504 in several key aspects and the School District has taken steps to correct the policies and procedures and provide staff training on the same.

Copies of the findings and resolution agreements may be obtained from the Treasurer upon request.

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2010
Unaudited

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 Debbie Herrmann, Treasurer at Kirtland Local School District, 9252 Chillicothe Rd. Kirtland, Ohio, 44094, Debbie.Herrmann@kirtlandschools.org.

Basic Financial Statements

Kirtland Local School District
Statement of Net Assets - Cash Basis
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,725,036	\$155,151	\$9,880,187
Net Assets			
Restricted for:			
Capital Projects	\$618,402	\$0	\$618,402
Debt Service	262,069	0	262,069
Set Asides	373,197	0	373,197
Other Purposes	368,641	0	368,641
Unrestricted	8,102,727	155,151	8,257,878
<i>Total Net Assets</i>	\$9,725,036	\$155,151	\$9,880,187

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2010

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
Current:				
Instruction:				
Regular	\$6,003,666	\$250,419	\$70,397	\$0
Special	1,350,703	31,201	128,806	0
Vocational	94,554	0	0	0
Intervention	135,175	0	0	0
Support Services:				
Pupil	934,291	0	177,365	0
Instructional Staff	507,523	49,364	67,986	0
Board of Education	379,256	0	0	0
Administration	1,043,394	0	0	0
Fiscal	469,450	0	0	0
Business	23,198	0	0	0
Operation and Maintenance of Plant	1,317,483	0	0	0
Pupil Transportation	1,198,589	350	106,860	0
Central	143,998	0	11,859	0
Operation of Non-Instructional Services	116,890	0	91,375	0
Operation of Food Services	245,194	192,751	43,140	0
Extracurricular Activities	762,324	240,091	100,845	0
Capital Outlay	1,957,516	0	0	40,338
Debt Service:				
Principal	570,000	0	0	0
Interest and Fiscal Charges	662,631	0	0	0
Capital Appreciation Bonds Interest	120,000	0	0	0
<i>Total Governmental Activities</i>	18,035,835	764,176	798,633	40,338
Business-Type Activity				
Transportation	25,045	27,151	0	0
Totals	\$18,060,880	\$791,327	\$798,633	\$40,338

General Receipts

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted
to Specific Programs

Sale of Capital Assets

Interest

Miscellaneous

Total General Receipts

Transfers

Total General Receipts and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net Receipts (Disbursements)
and Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$5,682,850)	\$0	(\$5,682,850)
(1,190,696)	0	(1,190,696)
(94,554)	0	(94,554)
(135,175)	0	(135,175)
(756,926)	0	(756,926)
(390,173)	0	(390,173)
(379,256)	0	(379,256)
(1,043,394)	0	(1,043,394)
(469,450)	0	(469,450)
(23,198)	0	(23,198)
(1,317,483)	0	(1,317,483)
(1,091,379)	0	(1,091,379)
(132,139)	0	(132,139)
(25,515)	0	(25,515)
(9,303)	0	(9,303)
(421,388)	0	(421,388)
(1,917,178)	0	(1,917,178)
(570,000)	0	(570,000)
(662,631)	0	(662,631)
(120,000)	0	(120,000)
(16,432,688)	0	(16,432,688)
0	2,106	2,106
(16,432,688)	2,106	(16,430,582)
9,963,112	0	9,963,112
1,096,342	0	1,096,342
217,656	0	217,656
2,741,649	0	2,741,649
1,520	0	1,520
34,425	0	34,425
28,503	0	28,503
14,083,207	0	14,083,207
477,059	(477,059)	0
14,560,266	(477,059)	14,083,207
(1,872,422)	(474,953)	(2,347,375)
11,597,458	630,104	12,227,562
\$9,725,036	\$155,151	\$9,880,187

Kirtland Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2010

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$8,102,727	\$489,612	\$759,500	\$9,351,839
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	373,197	0	0	373,197
<i>Total Assets</i>	<u>\$8,475,924</u>	<u>\$489,612</u>	<u>\$759,500</u>	<u>\$9,725,036</u>
Fund Balances				
Reserved for Encumbrances	\$204,573	\$7,417	\$62,973	\$274,963
Reserved for Textbooks	318,081	0	0	318,081
Reserved for Budget Stabilization	55,116	0	0	55,116
Unreserved:				
Undesignated, Reported in:				
General Fund	7,898,154	0	0	7,898,154
Special Revenue Funds	0	0	349,683	349,683
Debt Service Fund	0	0	262,069	262,069
Capital Projects Funds	0	482,195	84,775	566,970
<i>Total Fund Balances</i>	<u>\$8,475,924</u>	<u>\$489,612</u>	<u>\$759,500</u>	<u>\$9,725,036</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Building	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$9,963,112	\$0	\$1,313,998	\$11,277,110
Intergovernmental	2,586,775	0	835,019	3,421,794
Interest	30,455	2,887	1,083	34,425
Tuition and Fees	265,582	0	0	265,582
Extracurricular Activities	0	0	240,091	240,091
Contributions and Donations	44,994	5,000	108,832	158,826
Charges for Services	105	0	242,115	242,220
Rentals	16,283	0	0	16,283
Miscellaneous	20,359	0	8,144	28,503
<i>Total Receipts</i>	<u>12,927,665</u>	<u>7,887</u>	<u>2,749,282</u>	<u>15,684,834</u>
Disbursements				
Current:				
Instruction:				
Regular	5,978,837	0	24,829	6,003,666
Special	1,239,864	0	110,839	1,350,703
Vocational	94,554	0	0	94,554
Intervention	135,175	0	0	135,175
Support Services:				
Pupil	793,742	0	140,549	934,291
Instructional Staff	376,205	0	131,318	507,523
Board of Education	379,256	0	0	379,256
Administration	1,043,394	0	0	1,043,394
Fiscal	457,693	0	11,757	469,450
Business	23,198	0	0	23,198
Operation and Maintenance of Plant	1,317,483	0	0	1,317,483
Pupil Transportation	1,102,519	0	96,070	1,198,589
Central	122,748	0	21,250	143,998
Operation of Non-Instructional Services	29,515	0	87,375	116,890
Operation of Food Services	0	0	245,194	245,194
Extracurricular Activities	477,501	0	284,823	762,324
Capital Outlay	0	1,632,187	325,329	1,957,516
Debt Service:				
Principal Retirement	0	0	570,000	570,000
Interest and Fiscal Charges	0	0	662,631	662,631
Capital Appreciation Bonds Interest	0	0	120,000	120,000
<i>Total Disbursements</i>	<u>13,571,684</u>	<u>1,632,187</u>	<u>2,831,964</u>	<u>18,035,835</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(644,019)</u>	<u>(1,624,300)</u>	<u>(82,682)</u>	<u>(2,351,001)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,180	0	340	1,520
Transfers In	477,059	0	27,705	504,764
Transfers Out	(27,705)	0	0	(27,705)
<i>Total Other Financing Sources (Uses)</i>	<u>450,534</u>	<u>0</u>	<u>28,045</u>	<u>478,579</u>
<i>Net Change in Fund Balances</i>	<u>(193,485)</u>	<u>(1,624,300)</u>	<u>(54,637)</u>	<u>(1,872,422)</u>
<i>Fund Balances Beginning of Year</i>	<u>8,669,409</u>	<u>2,113,912</u>	<u>814,137</u>	<u>11,597,458</u>
<i>Fund Balances End of Year</i>	<u>\$8,475,924</u>	<u>\$489,612</u>	<u>\$759,500</u>	<u>\$9,725,036</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$9,499,017	\$9,963,405	\$9,963,112	(\$293)
Intergovernmental	2,466,279	2,458,083	2,586,775	128,692
Interest	29,036	35,000	30,455	(4,545)
Tuition and Fees	253,212	301,620	265,582	(36,038)
Contributions and Donations	42,898	45,120	44,994	(126)
Charges for Services	100	0	105	105
Rentals	15,525	15,600	16,283	683
Miscellaneous	17,392	15,668	20,359	4,691
<i>Total Receipts</i>	<u>12,323,459</u>	<u>12,834,496</u>	<u>12,927,665</u>	<u>93,169</u>
Disbursements				
Current:				
Instruction:				
Regular	5,881,669	6,177,491	6,107,474	70,017
Special	1,217,101	1,443,945	1,252,683	191,262
Vocational	92,811	103,618	94,554	9,064
Intervention	132,683	172,000	135,175	36,825
Support Services:				
Pupil	780,995	842,439	793,917	48,522
Instructional Staff	371,476	455,457	376,380	79,077
Board of Education	373,089	391,275	379,256	12,019
Administration	1,026,159	1,103,416	1,045,010	58,406
Fiscal	449,567	477,212	457,915	19,297
Business	27,652	33,682	26,844	6,838
Operation and Maintenance of Plant	1,293,385	1,546,491	1,335,695	210,796
Pupil Transportation	1,165,092	1,135,259	1,104,380	30,879
Central	120,485	149,230	123,053	26,177
Operation of Non-Instructional Services	29,546	35,275	29,787	5,488
Extracurricular Activities	469,598	547,626	514,134	33,492
<i>Total Disbursements</i>	<u>13,431,308</u>	<u>14,614,416</u>	<u>13,776,257</u>	<u>838,159</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(1,107,849)</u>	<u>(1,779,920)</u>	<u>(848,592)</u>	<u>931,328</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,125	6,000	1,180	(4,820)
Transfers In	456,855	527,057	477,059	(49,998)
Transfers Out	0	(100,000)	(27,705)	72,295
<i>Total Other Financing Sources (Uses)</i>	<u>457,980</u>	<u>433,057</u>	<u>450,534</u>	<u>17,477</u>
<i>Net Change in Fund Balance</i>	(649,869)	(1,346,863)	(398,058)	948,805
<i>Fund Balance Beginning of Year</i>	8,559,576	8,559,576	8,559,576	0
Prior Year Encumbrances Appropriated	109,833	109,833	109,833	0
<i>Fund Balance End of Year</i>	<u>\$8,019,540</u>	<u>\$7,322,546</u>	<u>\$8,271,351</u>	<u>\$948,805</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
June 30, 2010

	Business-Type Activity
	<u>Transportation</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$155,151
	<u><u> </u></u>
Net Assets	
Unrestricted	\$155,151
	<u><u> </u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Receipts, Disbursements
and Changes in Fund Net Assets - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Business-Type Activity
	Transportation
Operating Receipts	
Charges for Services	\$27,151
Operating Disbursements	
Salaries	850
Fringe Benefits	469
Purchased Services	23,594
Materials and Supplies	132
<i>Total Operating Disbursements</i>	25,045
<i>Income Before Transfers</i>	2,106
Transfers Out	(477,059)
<i>Change in Net Assets</i>	(474,953)
<i>Net Assets Beginning of Year</i>	630,104
<i>Net Assets End of Year</i>	\$155,151

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Fiduciary Assets and Liabilities - Cash Basis
Agency Fund
June 30, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$36,504</u>
Liabilities	
Due to Students	<u>\$36,504</u>

See accompanying notes to the basic financial statements

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Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - 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 56 non-certified employees, 86 certified full-time teaching personnel, and 10 administrative employees who provide services to 1,163 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.

Primary Government

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 two 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

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

Other Organizations

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 Council of

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Governments Health Care Benefits Self Insurance Program, the Kirtland Public Library and the Ohio School Boards' Association Workers' Compensation Group Rating Program which are presented in Notes 14, 15, 16 and 17 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its business-type activity and to its enterprise fund. Following are the more significant of the School District's accounting policies.

Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets 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 assets 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. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements During the fiscal 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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 and enterprise fund 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. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the general and building capital projects funds.

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

Building Fund - The building capital projects fund accounts for monies received and expended for various capital improvements within the School District.

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

Proprietary Funds The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District only has an enterprise fund.

Enterprise Fund - The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services. The School District's only enterprise fund accounts for all scheduling and dispatching of buses for special education students within the School District as well as outside the School District on a cost reimbursement basis as well as insurance for all buses prior to June 30, 2007. During fiscal year 2009, the School District returned money to the participating school districts and transferred the remaining portion of this programs balance to the general fund in fiscal year 2010.

Fiduciary Funds 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 not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section of this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot 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 forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. 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".

Investments of the School District's cash management pool and investments with an original 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

During fiscal year 2010, investments were limited to federal farm credit discount bank bonds, federal national mortgage association notes, federal home loan mortgage corporation notes, federal home loan bank notes, U.S. Treasury notes, a money market mutual fund, and STAR Ohio, the State Treasurer's Investment Pool.

Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2010 were \$30,455, which includes \$4,503 assigned from other School District funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization. See Note 13 for additional information regarding set asides.

Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to cash disbursement for specified purposes.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks and budget stabilization.

The reserve for textbooks represents money required to be set-aside by state statute for the purchase of textbooks and instructional materials. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

Interfund Transactions

Transfers between governmental activities are eliminated on the government-wide financial statements. Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Accountability and Compliance

Accountability

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Compliance

Contrary to Section 5705.39, Ohio Revised Code, the following fund had original appropriations in excess of estimated revenues and carryover balances:

	Original Estimated Revenues Plus Beginning Balances	Original Appropriations	Excess
<i>Special Revenue Funds:</i>			
Special Trust	\$291	\$6,000	\$5,709
District Managed Student Activity	311,819	328,738	16,919
Auxiliary Service	98,789	129,516	30,727
SchoolNet Professional Development	0	4,158	4,158
Title I	31,225	38,349	7,124
Title VI	123	3,103	2,980
<i>Capital Project Fund:</i>			
Building Construction	2,348,512	3,633,685	1,285,173

These budgetary violations were corrected by fiscal year-end.

Contrary to Section 5705.41 (B), Ohio Revised Code, the fiscal stabilization special revenue fund had \$3,187 in expenditures plus encumbrances in excess of appropriations.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$204,573.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$2,027,824 of the School District's bank balance of \$3,572,824 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Kirtland Local School District
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For the Fiscal Year Ended June 30, 2010

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

Investments

Investments are reported at fair value. As of June 30, 2010, the School District had the following investments:

	Maturity			Total
	Less Than One Year	More Than One Year But Less Than Three Years	More Than Three Years But Less Than Five Years	
Federal Farm Credit Discount Bank Bonds	\$0	\$50,000	\$0	\$50,000
Federal National Mortgage Association Notes	0	350,000	0	350,000
Federal Home Loan Mortgage Corporation Notes	0	350,000	1,010,573	1,360,573
Federal Home Loan Bank Notes	0	325,000	0	325,000
U.S. Treasury Notes	0	250,000	0	250,000
Money Market Mutual Fund	880,000	0	0	880,000
StarOhio	3,425,311	0	0	3,425,311
Total Portfolio	\$4,305,311	\$1,325,000	\$1,010,573	\$6,640,884

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

Credit Risk All investments other than STAR Ohio, carry a rating of AAA by Standard & Poor's. STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2010:

Investment	Percentage of Investments
Federal National Mortgage Association Notes	5.27 %
Federal Home Loan Mortgage Corporation Notes	20.49
Federal Home Loan Bank Notes	4.89

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Notes to the Basic Financial Statements
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Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lake and Geauga Counties. The County Auditors advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2010 was \$1,393,803 in the general fund, \$147,133 in the bond retirement debt service fund and \$30,855 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2009, was \$712,030 in the general fund, \$88,239 in the bond retirement debt service fund and \$15,718 in the permanent improvement capital projects fund.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009		2010 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$348,439,940	97.18 %	\$322,714,710	97.09 %
Public Utility Personal	8,958,160	2.50	9,100,410	2.74
Tangible Personal Property	1,134,947	0.32	567,473	0.17
Total	\$358,533,047	100.00 %	\$332,382,593	100.00 %
Tax rate per \$1,000 of assessed valuation	\$71.92		\$72.38	

Note 7 - Interfund Transfers

During fiscal year 2010, the general fund transferred \$25,000 to the food service special revenue fund and \$2,705 to the endowment special revenue fund. The transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Also during 2010, the transportation enterprise fund transferred \$477,059 to the general fund as this money was originally general fund monies that were used to fund a special education consortium that ceased operations after fiscal year 2007.

Note 8 - Pension Plans

School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$245,806, \$164,812 and \$165,024 respectively; 90.01 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Kirtland Local School District
Notes to the Basic Financial Statements
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State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$819,765, \$772,423 and \$760,136 respectively; 83.56 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$32,250 made by the School District and \$23,035 made by the plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 1.22 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800. During fiscal year 2010, the School District paid \$28,156 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$37,003, \$103,582 and \$102,480 respectively; 90.01 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009 and 2008 were \$14,618, \$13,598 and \$11,890 respectively; 90.01 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

\$63,059, \$59,417 and \$58,472 respectively; 83.56 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 10 - 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 2010, the School District contracted with various insurance agencies for various types of insurance. Coverage is as follows:

Company	Coverage	Amount
Midwest Indemnity	Blanket Building and Contents (\$2,500 Deductible)	\$34,725,275
	Extra Expense Coverage	1,000,000
	EDP and Media/Software	246,643
	Audio Visual Equipment	22,075
	Musical Instruments	414,192
	Athletic Equipment	2,000
	Contractor's Equipment	51,947
	Transportation	300,000
	Flood Limit	1,000,000
	Earthquake Limit	1,000,000
	Crime	150,000
	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
	Law Enforcement Professional	1,000,000
	Fleet	1,000,000
	Uninsured Motorists	250,000
		Umbrella Liability
Travelers Insurance	Boiler and Machinery	30,000,000
Cincinnati Insurance	Employee Dishonesty	250,000

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 Council of Governments Health Care Benefits Self Insurance Program (Note 15).

Workers' Compensation

For fiscal year 2010, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and

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representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 11 - Contingencies

Grants

The School District receives financial assistance from Federal and State agencies in the form of grants. The disbursement 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, 2010.

Litigation

As of June 30, 2010, the School District was not party to any legal proceedings.

Note 12 – Debt

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
2003 School Improvement Bonds 1.75% -3.56%					
Capital Appreciation Bonds	\$135,000	\$0	\$135,000	\$0	\$0
Accretion on Capital Appreciation Bonds	106,064	13,936	120,000	0	0
2006 School Improvement Bonds 4%-17.324%					
Current Interest Serial Bonds	7,565,000	0	375,000	7,190,000	390,000
Term Bonds	6,450,000	0	0	6,450,000	0
Capital Appreciation Bonds	239,994	0	0	239,994	0
Accretion on Capital Appreciation Bonds	137,383	50,184	0	187,567	0
2007 School Improvement Bonds 4%-12.994%					
Current Interest Serial Bonds	465,000	0	60,000	405,000	60,000
Term Bonds	1,160,000	0	0	1,160,000	0
Capital Appreciation Bonds	49,998	0	0	49,998	0
Accretion on Capital Appreciation Bonds	15,068	6,895	0	21,963	0
<i>Total General Long-Term Obligations</i>	<u>\$16,323,507</u>	<u>\$71,015</u>	<u>\$690,000</u>	<u>\$15,704,522</u>	<u>\$450,000</u>

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On January 28, 2003, the School District issued \$1,510,000 in general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amounts of \$1,375,000 and \$135,000, respectively, at interest rates varying from 1.75 percent to 3.56 percent. The bonds were issued for a seven year period with final maturity at December 1, 2010. The bonds will be retired from the debt service fund.

The capital appreciation bonds were originally sold at a discount of \$120,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2010.

The final maturity amount of outstanding capital appreciation bonds is \$255,000. The accretion recorded for 2010 was \$13,936.

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

The capital appreciation, current interest serial and term bonds remained outstanding at June 30, 2010. The capital appreciation bonds were originally sold at a discount of \$630,006, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2014.

The final maturity amount of outstanding capital appreciation bonds is \$870,000. The accretion recorded for 2010 was \$50,184, for a total outstanding bond liability of \$427,561.

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

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

The final maturity amount of outstanding capital appreciation bonds is \$140,000. The accretion recorded for 2010 was \$6,895, for a total outstanding bond liability of \$71,961.

The School District's overall legal debt margin at June 30, 2010 was \$14,420,908 with an unvoted debt margin of \$331,815. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, are as follows:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$0	\$334,925	\$450,000	\$310,007	\$0	\$0
2012	0	334,925	470,000	291,606	0	0
2013	0	334,925	485,000	275,507	0	0
2014	0	334,925	70,000	261,406	129,942	305,057
2015	0	334,925	0	260,006	136,622	368,378
2016 - 2020	155,000	1,668,525	2,530,000	1,027,240	23,428	46,573
2021 - 2025	455,000	1,599,649	2,930,000	465,551	0	0
2026 - 2030	3,495,000	1,245,599	660,000	14,438	0	0
2031 - 2034	3,505,000	324,112	0	0	0	0
Total	\$7,610,000	\$6,512,510	\$7,595,000	\$2,905,761	\$289,992	\$720,008

Note 13 - Set Aside Requirements

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2010, the unspent portion of certain workers' compensation refunds continues to be set aside as well as a reserve for textbooks and other instructional materials.

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

	Textbooks Instructional Materials Reserve	Capital Improvements	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2009	\$218,248	\$0	\$55,116
Current Year Set-aside Requirement	193,218	193,218	0
Current Year Offsets	0	(252,994)	0
Qualifying Disbursements	(93,385)	(91,062)	0
Totals	\$318,081	(\$150,838)	\$55,116
Set-aside Balance Carried Forward to Future Fiscal Years	\$318,081	\$0	\$55,116
Set-aside Reserve Balance as of June 30, 2010	\$318,081	\$0	\$55,116

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The School District has qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$373,197.

Note 14 - Jointly Governed Organizations

Lake Geauga Computer Association - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the school districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent upon the School District's continued participation. In fiscal year 2010, the School District paid \$87,356 to the computer association. Financial information can be obtained by writing the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Auburn Career Center - The Auburn Career Center is a joint vocational school operated by eleven school districts. Each participating school district appoints one board member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participants control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

Ohio Schools Council Association - The Ohio Schools Council (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The 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. In fiscal year 2010, the School District paid \$48,023 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, 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. Energy USA served as the the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Kirtland Local School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 15 – Claims Servicing Pool

The School District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, 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 HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. The HCBP acts solely as the claims servicing agent. Financial information can be obtained from the Lake County Educational Service Center at 382 Black Brook Road, Painesville, Ohio 44077.

Note 16 - Related Organization

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

Note 17 - Insurance Purchasing Pool

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2009
Unaudited

This 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, 2009, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and the notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for 2009 are as follows:

Net assets of the School District's governmental activities decreased from the prior fiscal year, mainly due to increased expenditures in capital outlay.

The School District's general fund receipts are primarily property taxes. With little commercial property and still undeveloped residential property within the School District's territory, the School District did not see a downturn in tax revenues in fiscal year 2009.

The School District received proceeds from a \$16.6 million bond issue during fiscal year 2007 that was approved at the May 2006 election. This money has been used to fund the construction of 12 new classrooms and a gymnasium at the elementary school, a new science/technology wing connecting the middle and high schools and general renovations to the campus buildings and grounds.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of School District Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the School District's government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2009
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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the School District into two types of activities:

Governmental activities. Most of the School District's basic services are reported here, including instruction, support services, food service operations and extracurricular activities. State and federal grants and local property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The School District has one business-type activity, acting as the fiscal agent for a special education transportation consortium.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2009
Unaudited

determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General and Building Capital Projects Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The School District has one enterprise fund, the transportation fund. When the services are provided to other departments of the School District, the service is reported as an internal service fund. The School District has no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the School District-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2009 compared to fiscal year 2008 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$11,597,458</u>	<u>\$19,912,014</u>	<u>\$630,104</u>	<u>\$869,496</u>	<u>\$12,227,562</u>	<u>\$20,781,510</u>
Net Assets						
Restricted for:						
Capital Outlay	\$2,315,037	\$11,156,826	\$0	\$0	\$2,315,037	\$11,156,826
Debt Service	374,308	384,292	0	0	374,308	384,292
Set Asides	273,364	278,495	0	0	273,364	278,495
Other Purposes	246,137	274,387	0	0	246,137	274,387
Unrestricted	<u>8,388,612</u>	<u>7,818,014</u>	<u>630,104</u>	<u>869,496</u>	<u>9,018,716</u>	<u>8,687,510</u>
Total Net Assets	<u>\$11,597,458</u>	<u>\$19,912,014</u>	<u>\$630,104</u>	<u>\$869,496</u>	<u>\$12,227,562</u>	<u>\$20,781,510</u>

Net assets of the governmental activities decreased during fiscal year 2009. The decrease is due to an increase in capital outlay and other expenditures in fiscal year 2009 which occurred because the School District spent a large portion of the \$16,599,992 2007 bond issue proceeds in fiscal year 2009 for the 12 new classrooms, elementary school gymnasium, middle school and high school science/technology wing and general renovations to buildings and grounds.

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2009
Unaudited

Table 2 reflects the changes in net assets in fiscal year 2009 compared to fiscal year 2008 on a cash basis:

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2009	2008	2009	2008	2009	2008
Receipts						
<i>Program Receipts</i>						
Charges for Services and Sales	\$807,442	\$760,251	\$329,579	\$656,455	\$1,137,021	\$1,416,706
Operating Grants, Contributions and Interest	752,375	687,315	0	0	752,375	687,315
Capital Grants and Contributions	68,463	3,500	0	0	68,463	3,500
<i>Total Program Receipts</i>	<u>1,628,280</u>	<u>1,451,066</u>	<u>329,579</u>	<u>656,455</u>	<u>1,957,859</u>	<u>2,107,521</u>
<i>General Receipts</i>						
Property Taxes	11,318,530	11,197,760	0	0	11,318,530	11,197,760
Grants and Entitlements Not Restricted to Specific Programs	2,515,022	2,414,419	0	0	2,515,022	2,414,419
Unrestricted Contributions and Donations	32	6,000	0	0	32	6,000
Sale of Capital Assets	50,000	0	0	72,900	50,000	72,900
Interest	236,113	973,721	0	61,591	236,113	1,035,312
Miscellaneous	64,397	138,359	0	0	64,397	138,359
<i>Total General Receipts</i>	<u>14,184,094</u>	<u>14,730,259</u>	<u>0</u>	<u>134,491</u>	<u>14,184,094</u>	<u>14,864,750</u>
<i>Total Receipts</i>	<u>\$15,812,374</u>	<u>\$16,181,325</u>	<u>\$329,579</u>	<u>\$790,946</u>	<u>\$16,141,953</u>	<u>\$16,972,271</u>

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2009
Unaudited

(Table 2 (continued))
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2009	2008	2009	2008	2009	2008
Disbursements						
Instruction:						
Regular	\$5,706,629	\$5,679,406	\$0	\$0	\$5,706,629	\$5,679,406
Special	1,154,296	1,099,024	0	0	1,154,296	1,099,024
Vocational	49,111	38,786	0	0	49,111	38,786
Intervention	111,771	0	0	0	111,771	0
Support Services:						
Pupil	735,871	730,747	0	0	735,871	730,747
Instructional Staff	532,461	510,796	0	0	532,461	510,796
Board of Education	153,316	144,598	0	0	153,316	144,598
Administration	982,323	921,844	0	0	982,323	921,844
Fiscal	479,536	421,537	0	0	479,536	421,537
Business	26,315	11,812	0	0	26,315	11,812
Operation and Maintenance of Plant	1,336,519	1,210,621	0	0	1,336,519	1,210,621
Pupil Transportation	969,004	973,697	0	0	969,004	973,697
Central	149,227	122,667	0	0	149,227	122,667
Operation of Non-Instructional Services	154,570	115,601	0	0	154,570	115,601
Operation of Food Services	233,591	236,392	0	0	233,591	236,392
Extracurricular Activities	753,499	774,486	0	0	753,499	774,486
Capital Outlay	9,276,053	5,587,824	0	0	9,276,053	5,587,824
Debt Service:						
Principal	640,000	480,000	0	0	640,000	480,000
Interest and Fiscal Charges	682,838	716,039	0	0	682,838	716,039
Transportation	0	0	568,971	1,161,061	568,971	1,161,061
<i>Total Disbursements</i>	<u>24,126,930</u>	<u>19,775,877</u>	<u>568,971</u>	<u>1,161,061</u>	<u>24,695,901</u>	<u>20,936,938</u>
Change in Net Assets	(8,314,556)	(3,594,552)	(239,392)	(370,115)	(8,553,948)	(3,964,667)
Net Assets Beginning of Year	<u>19,912,014</u>	<u>23,506,566</u>	<u>869,496</u>	<u>1,239,611</u>	<u>20,781,510</u>	<u>24,746,177</u>
Net Assets End of Year	<u>\$11,597,458</u>	<u>\$19,912,014</u>	<u>\$630,104</u>	<u>\$869,496</u>	<u>\$12,227,562</u>	<u>\$20,781,510</u>

Total program receipts represent only a small portion of total receipts and are primarily comprised of charges for services and sales, operating and capital grants, contributions and interest.

General receipts represent the majority of the School District's total receipts, and of this amount, the majority are local taxes. Grants and entitlements also make up a significant portion of the School District's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

The School District was responsible for providing educational services to 1,147 students. All governmental disbursements increased in fiscal year 2009 due to increases in salaries and benefits based on negotiated contracts and necessary increases in spending except for pupil transportation, operation of food services, extracurricular activities and interest and fiscal charges which decreased slightly.

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2009
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Total disbursements are made up of two main areas: instructional and support services. Support services are made up of many subsections. Instructional costs made up 29.10 percent of all governmental disbursements. Support services provide services such as busing, libraries, guidance, nursing services, building and ground maintenance, administration, board of education and fiscal. Other areas of disbursements are non-instructional services, food services, extracurricular activities, capital outlay and debt service. Food services and extracurricular activities generate revenue through sales and fees.

Governmental Activities

If you look at the Statement of Activities on page 14, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction, maintenance of property and capital outlay. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Disbursements				
Instruction:				
Regular	\$5,706,629	\$5,197,092	\$5,679,406	\$5,218,732
Special	1,154,296	908,367	1,099,024	966,414
Vocational	49,111	49,111	38,786	38,786
Intervention	111,771	111,771	0	0
Support Services:				
Pupil	735,871	667,496	730,747	639,784
Instructional Staff	532,461	463,653	510,796	436,405
Board of Education	153,316	153,316	144,598	144,598
Administration	982,323	982,323	921,844	921,844
Fiscal	479,536	479,536	421,537	416,866
Business	26,315	26,315	11,812	11,812
Operation and Maintenance of Plant	1,336,519	1,336,519	1,210,621	1,157,686
Pupil Transportation	969,004	879,389	973,697	925,985
Central	149,227	135,227	122,667	106,237
Operation of Non-Instructional Services	154,570	36,319	115,601	12,863
Operation of Food Services	233,591	17,209	236,392	13,392
Extracurricular Activities	753,499	524,579	774,486	533,044
Capital Outlay	9,276,053	9,207,590	5,587,824	5,584,324
Debt Service:				
Principal	640,000	640,000	480,000	480,000
Interest and Fiscal Charges	682,838	682,838	716,039	716,039
<i>Total Disbursements</i>	<u>\$24,126,930</u>	<u>\$22,498,650</u>	<u>\$19,775,877</u>	<u>\$18,324,811</u>

The dependence upon property tax receipts is apparent as over half of governmental activities are supported through these general receipts.

Kirtland Local School District
Management's Discussion and Analysis
For the Year Ended June 30, 2009
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Business-type Activities

The School District is the fiscal agent for a special education transportation consortium operation that is relatively small and routinely reports receipts and cash disbursements that are relatively equal.

The School District's Funds

Total governmental funds had receipts of \$15,762,374 and disbursements of \$24,126,930. The greatest change in governmental funds occurred in the Building Fund. The fund balance of the Building Fund decreased mainly due to the School District using the bond proceeds to pay for a large portion of the construction projects that began in fiscal year 2007.

General fund receipts exceeded disbursements by \$565,154 indicating that the general fund is in a sound financial position. The Building capital projects fund disbursements were \$9,034,829 as construction progressed and the School District continued to spend down the bond proceeds.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2009, the School District amended its General Fund budget several times to reflect changing circumstances, such as the hiring of intervention tutors and new rates for health insurance and workers' compensation. Final budgeted receipts exceeded original budgeted receipts due to additional tax receipts. The difference between final budgeted receipts and actual receipts was less than one percent and is not significant.

Final disbursements were budgeted at \$13,596,190 while actual disbursements were \$12,558,775.

Capital Assets and Debt Administration

Capital Assets

The School District maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

Debt

At June 30, 2009, the School District's outstanding debt included \$16,323,507 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

Kirtland Local School District
Management's Discussion and Analysis
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Current Issues

The School District is always presented with challenges and opportunities. Economic conditions as of yet have not had a material impact on the School District's tax revenue, as residential property comprises 95.4 percent of total taxable value. The most recent five year forecast adopted by the Board of Education predicts a new operating levy will need to be approved in 2010 for collection in the 2011 school year. The last new operating levy was approved in 2003.

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 Debbie Herrmann, Treasurer at Kirtland Local School District, 9252 Chillicothe Rd. Kirtland, Ohio, 44094, ki_herrmann@lgca.org.

Kirtland Local School District
Statement of Net Assets - Cash Basis
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$11,597,458	\$630,104	\$12,227,562
Net Assets			
Restricted for:			
Capital Projects	\$2,315,037	\$0	\$2,315,037
Debt Service	374,308	0	374,308
Set Asides	273,364	0	273,364
Other Purposes	246,137	0	246,137
Unrestricted	8,388,612	630,104	9,018,716
<i>Total Net Assets</i>	\$11,597,458	\$630,104	\$12,227,562

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2009

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
Current:				
Instruction:				
Regular	\$5,706,629	\$292,428	\$217,109	\$0
Special	1,154,296	80,383	165,546	0
Vocational	49,111	0	0	0
Intervention	111,771	0	0	0
Support Services:				
Pupil	735,871	0	68,375	0
Instructional Staff	532,461	48,942	19,866	0
Board of Education	153,316	0	0	0
Administration	982,323	0	0	0
Fiscal	479,536	0	0	0
Business	26,315	0	0	0
Operation and Maintenance of Plant	1,336,519	0	0	0
Pupil Transportation	969,004	2,238	87,377	0
Central	149,227	0	14,000	0
Operation of Non-Instructional Services	154,570	0	118,251	0
Operation of Food Services	233,591	184,265	32,117	0
Extracurricular Activities	753,499	199,186	29,734	0
Capital Outlay	9,276,053	0	0	68,463
Debt Service:				
Principal	640,000	0	0	0
Interest and Fiscal Charges	682,838	0	0	0
<i>Total Governmental Activities</i>	24,126,930	807,442	752,375	68,463
Business-Type Activity				
Transportation	568,971	329,579	0	0
<i>Totals</i>	<u>\$24,695,901</u>	<u>\$1,137,021</u>	<u>\$752,375</u>	<u>\$68,463</u>

General Receipts

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted

to Specific Programs

Sale of Capital Assets

Unrestricted Contributions and Donations

Interest

Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net Receipts (Disbursements) and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$5,197,092)	\$0	(\$5,197,092)
(908,367)	0	(908,367)
(49,111)	0	(49,111)
(111,771)	0	(111,771)
(667,496)	0	(667,496)
(463,653)	0	(463,653)
(153,316)	0	(153,316)
(982,323)	0	(982,323)
(479,536)	0	(479,536)
(26,315)	0	(26,315)
(1,336,519)	0	(1,336,519)
(879,389)	0	(879,389)
(135,227)	0	(135,227)
(36,319)	0	(36,319)
(17,209)	0	(17,209)
(524,579)	0	(524,579)
(9,207,590)	0	(9,207,590)
(640,000)	0	(640,000)
(682,838)	0	(682,838)
(22,498,650)	0	(22,498,650)
0	(239,392)	(239,392)
(22,498,650)	(239,392)	(22,738,042)
9,946,925	0	9,946,925
1,156,891	0	1,156,891
214,714	0	214,714
2,515,022	0	2,515,022
50,000	0	50,000
32	0	32
236,113	0	236,113
64,397	0	64,397
14,184,094	0	14,184,094
(8,314,556)	(239,392)	(8,553,948)
19,912,014	869,496	20,781,510
\$11,597,458	\$630,104	\$12,227,562

Kirtland Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2009

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$8,396,045	\$2,113,912	\$814,137	\$11,324,094
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	273,364	0	0	273,364
<i>Total Assets</i>	<u>\$8,669,409</u>	<u>\$2,113,912</u>	<u>\$814,137</u>	<u>\$11,597,458</u>
Fund Balances				
Reserved for Encumbrances	\$109,833	\$1,288,095	\$92,612	\$1,490,540
Reserved for Textbooks	218,248	0	0	218,248
Reserved for Budget Stabilization	55,116	0	0	55,116
Unreserved:				
Undesignated, Reported in:				
General Fund	8,286,212	0	0	8,286,212
Special Revenue Funds	0	0	152,644	152,644
Debt Service Fund	0	0	374,308	374,308
Capital Projects Funds	0	825,817	194,573	1,020,390
<i>Total Fund Balances</i>	<u>\$8,669,409</u>	<u>\$2,113,912</u>	<u>\$814,137</u>	<u>\$11,597,458</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Building	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$9,946,925	\$0	\$1,371,605	\$11,318,530
Intergovernmental	2,528,255	0	698,138	3,226,393
Interest	116,222	112,641	7,451	236,314
Tuition and Fees	349,064	0	0	349,064
Extracurricular Activities	0	0	199,186	199,186
Contributions and Donations	7,980	68,463	32,855	109,298
Charges for Services	45	0	233,207	233,252
Rentals	25,940	0	0	25,940
Miscellaneous	39,665	0	24,732	64,397
<i>Total Receipts</i>	<u>13,014,096</u>	<u>181,104</u>	<u>2,567,174</u>	<u>15,762,374</u>
Disbursements				
Current:				
Instruction:				
Regular	5,683,558	0	23,071	5,706,629
Special	995,008	0	159,288	1,154,296
Vocational	49,111	0	0	49,111
Intervention	111,771	0	0	111,771
Support Services:				
Pupil	665,901	0	69,970	735,871
Instructional Staff	462,299	0	70,162	532,461
Board of Education	153,316	0	0	153,316
Administration	982,323	0	0	982,323
Fiscal	462,354	0	17,182	479,536
Business	26,315	0	0	26,315
Operation and Maintenance of Plant	1,336,519	0	0	1,336,519
Pupil Transportation	894,454	0	74,550	969,004
Central	143,499	0	5,728	149,227
Operation of Non-Instructional Services	34,842	0	119,728	154,570
Operation of Food Services	0	0	233,591	233,591
Extracurricular Activities	447,672	0	305,827	753,499
Capital Outlay	0	9,034,829	241,224	9,276,053
Debt Service:				
Principal Retirement	0	0	640,000	640,000
Interest and Fiscal Charges	0	0	682,838	682,838
<i>Total Disbursements</i>	<u>12,448,942</u>	<u>9,034,829</u>	<u>2,643,159</u>	<u>24,126,930</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>565,154</u>	<u>(8,853,725)</u>	<u>(75,985)</u>	<u>(8,364,556)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	50,000	0	0	50,000
Transfers In	0	0	42,254	42,254
Transfers Out	(42,254)	0	0	(42,254)
<i>Total Other Financing Sources (Uses)</i>	<u>7,746</u>	<u>0</u>	<u>42,254</u>	<u>50,000</u>
<i>Net Change in Fund Balances</i>	572,900	(8,853,725)	(33,731)	(8,314,556)
<i>Fund Balances Beginning of Year</i>	<u>8,096,509</u>	<u>10,967,637</u>	<u>847,868</u>	<u>19,912,014</u>
<i>Fund Balances End of Year</i>	<u><u>\$8,669,409</u></u>	<u><u>\$2,113,912</u></u>	<u><u>\$814,137</u></u>	<u><u>\$11,597,458</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$9,661,839	\$9,878,169	\$9,946,925	\$68,756
Intergovernmental	2,455,793	2,510,779	2,528,255	17,476
Interest	112,891	115,419	116,222	803
Tuition and Fees	339,060	346,651	349,064	2,413
Contributions and Donations	7,751	7,925	7,980	55
Charges for Services	45	45	45	0
Rentals	25,197	25,761	25,940	179
Miscellaneous	87,093	89,045	39,665	(49,380)
<i>Total Receipts</i>	<u>12,689,669</u>	<u>12,973,794</u>	<u>13,014,096</u>	<u>40,302</u>
Disbursements				
Current:				
Instruction:				
Regular	6,356,536	6,306,950	5,696,617	610,333
Special	1,074,702	1,065,929	995,103	70,826
Vocational	53,031	52,598	49,111	3,487
Intervention	125,450	123,939	111,771	12,168
Support Services:				
Pupil	719,815	713,944	667,788	46,156
Instructional Staff	507,002	502,926	464,506	38,420
Board of Education	170,344	168,992	154,141	14,851
Administration	1,058,595	1,041,962	984,324	57,638
Fiscal	507,046	501,770	462,666	39,104
Business	31,306	32,274	31,197	1,077
Operation and Maintenance of Plant	1,449,114	1,392,330	1,336,710	55,620
Pupil Transportation	968,145	1,013,258	977,353	35,905
Central	163,440	162,174	143,499	18,675
Operation of Non-Instructional Services	37,698	37,391	35,417	1,974
Extracurricular Activities	483,700	479,753	448,572	31,181
<i>Total Disbursements</i>	<u>13,705,924</u>	<u>13,596,190</u>	<u>12,558,775</u>	<u>1,037,415</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,016,255)</u>	<u>(622,396)</u>	<u>455,321</u>	<u>1,077,717</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	48,567	49,654	50,000	346
Transfers Out	(42,254)	(42,254)	(42,254)	0
<i>Total Other Financing Sources (Uses)</i>	<u>6,313</u>	<u>7,400</u>	<u>7,746</u>	<u>346</u>
<i>Net Change in Fund Balance</i>	<u>(1,009,942)</u>	<u>(614,996)</u>	<u>463,067</u>	<u>1,078,063</u>
<i>Fund Balance Beginning of Year</i>	<u>7,829,621</u>	<u>7,829,621</u>	<u>7,829,621</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>266,888</u>	<u>266,888</u>	<u>266,888</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,086,567</u></u>	<u><u>\$7,481,513</u></u>	<u><u>\$8,559,576</u></u>	<u><u>\$1,078,063</u></u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
June 30, 2009

	Business-Type Activity
	<u>Transportation</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$630,104</u>
Net Assets	
Unrestricted	<u>\$630,104</u>

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Receipts, Disbursements
and Changes in Fund Net Assets - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2009

	Business-Type Activity
	Transportation
Operating Receipts	
Charges for Services	\$329,579
Operating Disbursements	
Purchased Services	563,015
Materials and Supplies	5,956
<i>Total Operating Disbursements</i>	568,971
<i>Operating Loss</i>	(239,392)
<i>Net Assets Beginning of Year</i>	869,496
<i>Net Assets End of Year</i>	\$630,104

See accompanying notes to the basic financial statements

Kirtland Local School District
Statement of Fiduciary Assets and Liabilities - Cash Basis
Agency Fund
June 30, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$38,208</u>
Liabilities	
Due to Students	<u>\$38,208</u>

See accompanying notes to the basic financial statements

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Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 1 - 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 56 non-certified employees, 86 certified full-time teaching personnel, and 10 administrative employees who provide services to 1,147 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.

A. Primary Government

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 two 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.

B. Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

C. Other Organizations

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 Council of Governments Health Care Benefits Self-Insurance Program, the Kirtland Public Library and the Ohio School Boards' Association Workers' Compensation Group Rating Program which are presented in Notes 14, 15, 16 and 17 to the basic financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its business-type activity and to its enterprise fund. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets 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 assets 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. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements During the fiscal 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 and enterprise fund 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. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General and Building Capital Projects Funds.

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

Building Fund - The building capital projects fund accounts for monies received and expended for various capital improvements within the School District.

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

Proprietary Funds The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District only has an enterprise fund.

Enterprise Fund - The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services. The School District's only enterprise fund accounts for all scheduling and dispatching of buses for special education students within the School District as well as outside the School District on a cost reimbursement basis as well as insurance for all buses.

Fiduciary Funds 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 not available to support the School District's own programs. The School District

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

has no trust funds. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section of this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot 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 forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. 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".

Investments of the School District's cash management pool and investments with an original 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2009, investments were limited to federal farm credit bank bonds and STAROhio, the State Treasurer's Investment Pool.

Investments are reported at cost, except for STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2009 were \$116,222, none of which was assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization. See Note 13 for additional information regarding set asides.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

K. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to cash disbursement for specified purposes.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, textbooks and budget stabilization.

The reserve for textbooks represents money required to be set-aside by state statute for the purchase of textbooks and instructional materials. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

N. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Accountability and Compliance

A. Accountability

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

B. Compliance

The drug free grant special revenue fund had total original appropriations in excess of estimated resources plus carryover balances of \$1,091, contrary to Section 5705.39, Revised Code.

Contrary to Section 5705.41 (B), Ohio Revised Code, the Auxiliary Service fund had \$247 in expenditures plus encumbrances in excess of appropriations.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$109,833.

Note 5 – Deposits and Investments

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

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

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

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$3,086,472 of the School District's bank balance of \$3,586,472 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Investments

Investments are reported at fair value. As of June 30, 2009, the School District had the following investments:

	Fair Value	Maturity
Federal Farm Credit Bank Bonds	\$1,005,000	January 12, 2012
StarOhio	8,305,799	58.1 days
Total	\$9,310,799	

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.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal farm credit bank bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent but not in the School District’s name. The School District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk The federal farm credit bank bonds carry a rating of AAA by Standard & Poor’s. STAROhio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAROhio 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. The following is the School District’s allocation as of June 30, 2009:

Investment	Percentage of Investments
Federal Farm Credit Bank Bonds	10.79 %
STAROhio	89.21
	100.00 %

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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 Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2009 was \$712,030 in the general fund, \$88,239 in the bond retirement debt service fund and \$15,718 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2008, was \$350,432 in the general fund, \$57,718 in the bond retirement debt service fund and \$10,744 in the permanent improvement capital projects fund.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$341,469,260	96.76 %	\$348,439,940	97.18 %
Public Utility Personal	8,861,480	2.51	8,958,160	2.50
Tangible Personal Property	2,564,993	0.73	1,134,947	0.32
Total	\$352,895,733	100.00 %	\$358,533,047	100.00 %
Tax rate per \$1,000 of assessed valuation	\$71.84		\$71.92	

Note 7 - Interfund Transfers

During fiscal year 2009, the general fund transferred \$40,100 to the food service special revenue fund and \$2,154 to the public school support special revenue fund. The transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

Note 8 - Pension Plans

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$164,812, \$165,024 and \$181,521 respectively; 42.35 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

B. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$772,423, \$760,136, and \$710,242 respectively; 87.43 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$21,316 made by the School District and \$14,411 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 9 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800. During fiscal year 2009, the School District paid \$28,156 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$103,582, \$102,480 and \$96,569 respectively; 42.35 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$13,598, \$11,890 and \$12,343 respectively; 42.35 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$59,417, \$58,472 and \$54,634 respectively; 87.43 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 10 - 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 2009, the School District contracted with various insurance agencies for various types of insurance. Coverage is as follows:

Company	Coverage	Amount
Midwest Indemnity	Blanket Building and Contents (\$2,500 Deductible)	\$25,167,375
	Extra Expense Coverage	1,000,000
	EDP and Media/Software	239,453
	Audio Visual Equipment	21,432
	Musical Instruments	373,551
	Athletic Equipment	2,000
	Transportation	300,000
	Flood Limit	1,000,000
	Earthquake Limit	1,000,000
	Crime	150,000
	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
	Law Enforcement Professional	1,000,000
	Travelers Insurance	Fleet
Uninsured Motorists		100,000
Cincinnati Insurance	Umbrella Liability	4,000,000
	Boiler and Machinery	30,000,000
	Employee Dishonesty	250,000

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.

B. Employee Medical Coverage

The School District has elected to provide medical coverage through the Lake County Council of Governments Health Care Benefits Self Insurance Program (Note 15).

C. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 11 - Contingencies

A. Grants

The School District receives financial assistance from Federal and State agencies in the form of grants. The disbursement 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, 2009.

B. Litigation

As of June 30, 2009, the School District was not party to any legal proceedings.

Note 12 – Debt

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
2003 School Improvement Bonds 1.75% -3.56%					
Current Interest Serial Bonds	\$225,000	\$0	\$225,000	\$0	\$0
Capital Appreciation Bonds	135,000	0	0	135,000	135,000
Accretion on Capital Appreciation Bonds	86,439	19,625	0	106,064	0
2006 School Improvement Bonds 4%-17.324%					
Current Interest Serial Bonds	7,925,000	0	360,000	7,565,000	375,000
Term Bonds	6,450,000	0	0	6,450,000	0
Capital Appreciation Bonds	239,994	0	0	239,994	0
Accretion on Capital Appreciation Bonds	87,199	50,184	0	137,383	0
2007 School Improvement Bonds 4%-12.994%					
Current Interest Serial Bonds	520,000	0	55,000	465,000	60,000
Term Bonds	1,160,000	0	0	1,160,000	0
Capital Appreciation Bonds	49,998	0	0	49,998	0
Accretion on Capital Appreciation Bonds	8,173	6,895	0	15,068	0
Total General Long-Term Obligations	\$16,886,803	\$76,704	\$640,000	\$16,323,507	\$570,000

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

On January 15 and January 28, 2003, the School District issued \$1,510,000 in general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amounts of \$1,375,000 and \$135,000, respectively, at interest rates varying from 1.75 percent to 3.56 percent. The bonds were issued for a seven year period with final maturity at December 1, 2010. The bonds will be retired from the debt service fund.

The capital appreciation and current interest serial bonds remained outstanding at June 30, 2009. The capital appreciation bonds were originally sold at a discount of \$120,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2010.

The final maturity amount of outstanding capital appreciation bonds is \$255,000. The accretion recorded for 2009 was \$19,625, for a total outstanding bond liability of \$241,064 at June 30, 2009.

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

The capital appreciation, current interest serial and term bonds remained outstanding at June 30, 2009. The capital appreciation bonds were originally sold at a discount of \$630,006, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2014.

The final maturity amount of outstanding capital appreciation bonds is \$870,000. The accretion recorded for 2009 was \$50,184, for a total outstanding bond liability of \$377,377.

On March 21, 2007, the School District issued \$1,895,000 in general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$595,000, \$1,160,000 and \$49,998, respectively, at interest rates varying from 4.00 percent to 12.994 percent. The bonds were issued for a twenty-two year period with final maturity at December 1, 2029. The bonds will be retired from the debt service fund.

The capital appreciation, current interest serial and term bonds remained outstanding at June 30, 2009. The capital appreciation bonds were originally sold at a discount of \$90,002, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2015.

The final maturity amount of outstanding capital appreciation bonds is \$140,000. The accretion recorded for 2009 was \$6,895, for a total outstanding bond liability of \$65,066.

The School District's overall legal debt margin at June 30, 2009 was \$16,195,294 with an unvoted debt margin of \$354,289. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009, are as follows:

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$0	\$0	\$435,000	\$662,631	\$135,000	\$120,000
2011	0	0	450,000	644,932	0	0
2012	0	0	470,000	626,531	0	0
2013	0	0	485,000	607,432	0	0
2014	0	0	70,000	596,331	129,942	305,057
2015 - 2019	75,000	45,875	2,015,000	2,751,149	160,050	414,950
2020 - 2024	435,000	179,774	2,810,000	2,024,279	0	0
2025 - 2029	2,690,000	805,071	1,295,000	631,907	0	0
2030 - 2034	4,410,000	501,990	0	0	0	0
Total	\$7,610,000	\$1,532,710	\$8,030,000	\$8,545,192	\$424,992	\$840,007

Note 13 - Set Aside Requirements

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2009, the unspent portion of certain workers' compensation refunds continues to be set aside as well as a reserve for textbooks and other instructional materials.

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

	Textbooks		
	Instructional		
	Materials	Capital	Budget
	Reserve	Improvements	Stabilization
Set-aside Reserve Balance as of June 30, 2008	\$223,379	\$0	\$55,116
Current Year Set-aside Requirement	185,900	185,900	0
Qualifying Disbursements	(191,031)	(9,034,829)	0
Totals	\$218,248	(\$8,848,929)	\$55,116
Set-aside Balance Carried Forward to Future			
Fiscal Years	\$218,248	\$0	\$55,116
Set-aside Reserve Balance as of June 30, 2009	\$218,248	\$0	\$55,116

The School District has qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$273,364.

Note 14 - Jointly Governed Organizations

Lake Geauga Computer Association - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the school districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent upon the School District's continued participation. In fiscal year 2009, the School District paid \$83,187 to the computer association. Financial information can be obtained by writing the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Auburn Career Center - The Auburn Career Center is a joint vocational school operated by eleven school districts. Each participating school district appoints one board member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participants control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

Ohio Schools Council Association - The Ohio Schools Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The 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. In fiscal year 2009, the District paid \$45,755 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools Council at 6133 Rockside Road, Suite 10, 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. There are currently 144 districts in the Program. The participants make monthly payments based on estimated usage. Each August, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing. A new natural gas supplier and program manager was selected for the period October 1, 2008 to September 30, 2010. The program agreement has an indefinite term and provides the option to withdraw from the program by sending written notification by certified mail on or before September 15 of the fiscal year proceeding the fiscal year in which the participant wishes to withdraw from the program.

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The School District also participates in the Council's electric purchase program. The Council provided 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoiced participants based on estimated payments which were compared to their actual usage for the year (July to June). Refund checks were issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. With the end of the Energy for Education II program on December 31, 2008, the School District purchased its electricity from the local area utility, First Energy. Refunds were provided to school districts at the end of the fiscal year to refund any money remaining in the account after all bills were paid.

In September/October 2009, 110 school districts joined a new OSC electricity discount program, Energy for Education III. The Energy for Education III Program provides a fixed price rate for electricity supplied by Duke Retail Energy Sales, Inc. of \$0.051 per kwh for the generation of electricity which cannot be increased until the June 2011 meter reading. Districts are not charged a fee by OSC to participate in this program. Districts pay the utility (Ohio Edison, Toledo Edison or Cleveland Electric Illuminating Co.) directly and receive a discount for the fixed price of generation.

Note 15 – Claims Servicing Pool

The School District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, 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 HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. The HCBP acts solely as the claims servicing agent. Financial information can be obtained from the Lake County Educational Service Center at 382 Black Brook Road, Painesville, Ohio 44077.

Note 16 - Related Organization

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

Kirtland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 17 - Insurance Purchasing Pool

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the Kirtland Local School District, Lake County, Ohio, (the District) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 26, 2011, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 26, 2011.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

May 26, 2011

**KIRTLAND LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Noncompliance Finding

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the School District prepared its financial statements and notes following the cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

We recommend the School District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

Official's Response:

The Kirtland Board of Education approved a resolution that directed the Treasurer to prepare cash based year end financial statements, as the district does not believe the time and expense involved in preparing the annual financial report according to GAAP is a justifiable use of staff time and financial resources.

**KIRTLAND LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Failure to report on GAAP	No	Not Corrected. Reissued as 2010-001.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 14, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Dave Yost
Auditor of State

May 26, 2011



Dave Yost • Auditor of State

KIRTLAND LOCAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 14, 2011**