



**KIRTLAND LOCAL SCHOOL DISTRICT
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**KIRTLAND LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Kirtland Local School District, Lake County, (the District) as of and for the years ended June 30, 2001 and June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kirtland Local School District, Lake County, as of June 30, 2001 and June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 36, as of and for the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Jim Petro
Auditor of State

November 2, 2001

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Kirtland Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,843,071	\$149,216	\$109,649	\$74,409
Cash and Cash Equivalents with With Fiscal Agents	101,611	0	5,798	0
Receivables:				
Taxes	6,980,333	0	284,116	357,078
Accounts	8,198	0	0	0
Intergovernmental	1,568	29,319	0	0
Materials and Supplies				
Inventory	48,251	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	55,116	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$9,038,148	\$178,535	\$399,563	\$431,487

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$24,529	\$141,451	\$98,763	\$0	\$0	\$2,441,088
0	0	0	0	0	107,409
0	0	0	0	0	7,621,527
238	0	0	0	0	8,436
0	2,432,302	0	0	0	2,463,189
459	0	0	0	0	48,710
10,860	0	0	0	0	10,860
0	0	0	0	0	55,116
5,108	1,004,033	0	20,706,718	0	21,715,859
0	0	0	0	132,719	132,719
0	0	0	0	2,226,696	2,226,696
<u>\$41,194</u>	<u>\$3,577,786</u>	<u>\$98,763</u>	<u>\$20,706,718</u>	<u>\$2,359,415</u>	<u>\$36,831,609</u>

(continued)

Kirtland Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$41,546	\$14,683	\$0	\$0
Accrued Wages and Benefits	802,965	581	0	0
Compensated Absences Payable	113,197	0	0	0
Intergovernmental Payable	129,211	1,833	0	0
Deferred Revenue	6,509,329	0	261,046	207,791
Due to Students	0	0	0	0
Claims Payable	46,592	0	0	0
Matured Bonds Payable	0	0	5,000	0
Matured Interest Payable	0	0	798	0
Early Retirement Incentive Payable	118,513	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>7,761,353</u>	<u>17,097</u>	<u>266,844</u>	<u>207,791</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	58,761	42,848	0	21,410
Reserved for Inventory	48,251	0	0	0
Reserved for Contributions	0	0	0	0
Reserved for Property Taxes	471,004	0	23,070	149,287
Reserved for Budget Stabilization	55,116	0	0	0
Unreserved:				
Designated:				
Claims	55,019	0	0	0
Budget Stabilization	59,755	0	0	0
Undesignated	528,889	118,590	109,649	52,999
<i>Total Fund Equity and Other Credits</i>	<u>1,276,795</u>	<u>161,438</u>	<u>132,719</u>	<u>223,696</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$9,038,148</u>	<u>\$178,535</u>	<u>\$399,563</u>	<u>\$431,487</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$2,389,374	\$0	\$0	\$0	\$2,445,603
13,199	5,817	0	0	0	822,562
7,676	11,299	0	0	352,887	485,059
9,476	14,529	0	0	59,759	214,808
2,744	0	0	0	0	6,980,910
0	0	22,300	0	0	22,300
0	0	0	0	0	46,592
0	0	0	0	0	5,000
0	0	0	0	0	798
0	5,224	0	0	107,250	230,987
0	0	0	0	24,519	24,519
0	0	0	0	1,815,000	1,815,000
<u>33,095</u>	<u>2,426,243</u>	<u>22,300</u>	<u>0</u>	<u>2,359,415</u>	<u>13,094,138</u>
0	0	0	20,706,718	0	20,706,718
8,099	1,151,543	0	0	0	1,159,642
0	0	0	0	0	123,019
0	0	0	0	0	48,251
0	0	70,000	0	0	70,000
0	0	0	0	0	643,361
0	0	0	0	0	55,116
0	0	0	0	0	55,019
0	0	0	0	0	59,755
0	0	6,463	0	0	816,590
<u>8,099</u>	<u>1,151,543</u>	<u>76,463</u>	<u>20,706,718</u>	<u>0</u>	<u>23,737,471</u>
<u>\$41,194</u>	<u>\$3,577,786</u>	<u>\$98,763</u>	<u>\$20,706,718</u>	<u>\$2,359,415</u>	<u>\$36,831,609</u>

Kirtland Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001*

	Governmental Fund		
	General	Special Revenue	Debt Service
Revenues			
Taxes	\$6,425,666	\$0	\$258,463
Intergovernmental	1,728,863	252,061	32,326
Interest	143,541	1,518	8,252
Tuition and Fees	124,603	59,272	0
Extracurricular Activities	520	41,490	0
Contributions and Donations	711	6,821	0
Rentals	23,630	0	0
Miscellaneous	42,092	38,672	0
<i>Total Revenues</i>	<u>8,489,626</u>	<u>399,834</u>	<u>299,041</u>
Expenditures			
Current:			
Instruction:			
Regular	4,018,208	16,492	0
Special	663,110	63,684	0
Support Services:			
Pupils	589,196	19,416	0
Instructional Staff	224,870	59,025	0
Board of Education	88,430	0	0
Administration	624,636	2,313	0
Fiscal	266,782	0	2,716
Business	48,856	0	0
Operation and Maintenance of Plant	858,724	985	0
Pupil Transportation	723,006	584	0
Central	42,161	8,290	0
Operation of Non-Instructional Services	3,692	47,403	0
Extracurricular Activities	318,620	213,212	0
Capital Outlay	219,217	0	0
Debt Service:			
Principal Retirement	18,897	0	135,000
Interest and Fiscal Charges	3,314	0	140,409
<i>Total Expenditures</i>	<u>8,711,719</u>	<u>431,404</u>	<u>278,125</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(222,093)	(31,570)	20,916
Other Financing Source			
Proceeds from Sale of Fixed Assets	2,472	0	0
<i>Excess of Revenues and Other Financing Source Over (Under) Expenditures</i>	(219,621)	(31,570)	20,916
<i>Fund Balances Beginning of Year (Restated - Note 3)</i>	1,452,499	193,008	111,803
Increase in Reserve for Inventory	43,917	0	0
<i>Fund Balances End of Year</i>	<u>\$1,276,795</u>	<u>\$161,438</u>	<u>\$132,719</u>

See accompanying notes to the general purpose financial statement

<u>Types</u>	
Capital Projects	Totals (Memorandum Only)
\$336,085	\$7,020,214
38,886	2,052,136
0	153,311
0	183,875
0	42,010
0	7,532
0	23,630
297	81,061
375,268	9,563,769
0	4,034,700
0	726,794
0	608,612
0	283,895
0	88,430
0	626,949
0	269,498
0	48,856
0	859,709
0	723,590
0	50,451
0	51,095
0	531,832
269,898	489,115
0	153,897
0	143,723
269,898	9,691,146
105,370	(127,377)
0	2,472
105,370	(124,905)
118,326	1,875,636
0	43,917
\$223,696	\$1,794,648

Kirtland Local School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$6,228,892	\$6,597,533	\$368,641
Intergovernmental	1,672,494	1,727,295	54,801
Interest	100,000	143,541	43,541
Tuition and Fees	123,000	125,813	2,813
Extracurricular Activities	500	520	20
Contributions and Donations	0	711	711
Rentals	15,000	20,766	5,766
Miscellaneous	37,103	37,103	0
<i>Total Revenues</i>	<u>8,176,989</u>	<u>8,653,282</u>	<u>476,293</u>
Expenditures			
Current:			
Instruction:			
Regular	3,940,521	3,873,184	67,337
Special	582,294	527,182	55,112
Support Services:			
Pupils	585,822	549,325	36,497
Instructional Staff	259,605	220,857	38,748
Board of Education	96,274	89,809	6,465
Administration	656,358	647,711	8,647
Fiscal	297,522	291,848	5,674
Business	51,500	48,856	2,644
Operation and Maintenance of Plant	924,883	892,617	32,266
Pupil Transportation	754,407	735,029	19,378
Central	45,596	43,927	1,669
Operation of Non-Instructional Services			
Extracurricular Activities	3,800	3,692	108
Capital Outlay	323,472	318,651	4,821
Debt Service:			
Principal Retirement	219,217	219,217	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>8,741,271</u>	<u>8,461,905</u>	<u>279,366</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(564,282)</u>	<u>191,377</u>	<u>755,659</u>
Other Financing Sources (Use)			
Proceeds from Sale of Fixed Assets	0	2,472	2,472
Advances In	4,147	4,147	0
Advances Out	0	0	0
<i>Total Other Financing Sources (Use)</i>	<u>4,147</u>	<u>6,619</u>	<u>2,472</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Use</i>	<u>(560,135)</u>	<u>197,996</u>	<u>758,131</u>
<i>Fund Balances Beginning of Year</i>	1,413,824	1,413,824	0
Prior Year Encumbrances Appropriated	193,698	193,698	0
<i>Fund Balances End of Year</i>	<u>\$1,047,387</u>	<u>\$1,805,518</u>	<u>\$758,131</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$243,551	\$261,866	\$18,315
226,586	227,247	661	30,000	32,326	2,326
877	1,518	641	8,000	8,252	252
74,000	59,965	(14,035)	0	0	0
67,400	41,490	(25,910)	0	0	0
150,000	6,821	(143,179)	0	0	0
0	0	0	0	0	0
38,000	38,972	972	0	0	0
<u>556,863</u>	<u>376,013</u>	<u>(180,850)</u>	<u>281,551</u>	<u>302,444</u>	<u>20,893</u>
22,602	16,870	5,732	0	0	0
73,137	62,668	10,469	0	0	0
44,757	19,396	25,361	0	0	0
62,529	60,155	2,374	0	0	0
0	0	0	0	0	0
2,578	2,190	388	0	0	0
0	0	0	3,000	2,716	284
0	0	0	0	0	0
985	985	0	0	0	0
0	0	0	0	0	0
9,395	8,411	984	0	0	0
84,131	78,990	5,141	0	0	0
263,101	232,341	30,760	0	0	0
0	0	0	0	0	0
0	0	0	135,000	135,000	0
0	0	0	140,410	140,409	1
<u>563,215</u>	<u>482,006</u>	<u>81,209</u>	<u>278,410</u>	<u>278,125</u>	<u>285</u>
<u>(6,352)</u>	<u>(105,993)</u>	<u>(99,641)</u>	<u>3,141</u>	<u>24,319</u>	<u>21,178</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	(4,147)	(4,147)	0	0	0
<u>0</u>	<u>(4,147)</u>	<u>(4,147)</u>	<u>0</u>	<u>0</u>	<u>0</u>
(6,352)	(110,140)	(103,788)	3,141	24,319	21,178
179,830	179,830	0	85,330	85,330	0
21,992	21,992	0	0	0	0
<u>\$195,470</u>	<u>\$91,682</u>	<u>(\$103,788)</u>	<u>\$88,471</u>	<u>\$109,649</u>	<u>\$21,178</u>

(continued)

Kirtland Local School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 2001*

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$197,056	\$209,592	\$12,536
Intergovernmental	51,043	38,886	(12,157)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	0	0	0
Miscellaneous	69	297	228
<i>Total Revenues</i>	<u>248,168</u>	<u>248,775</u>	<u>607</u>
Expenditures			
Current:			
Instruction:			
Regular	85,296	83,528	1,768
Special	3,350	2,741	609
Support Services:			
Pupils	2,500	1,776	724
Instructional Staff	45,368	35,776	9,592
Board of Education	0	0	0
Administration	5,800	4,645	1,155
Fiscal	8,500	7,928	572
Business	0	0	0
Operation and Maintenance of Plant	78,670	69,020	9,650
Pupil Transportation	12,539	11,302	1,237
Central	14,339	6,839	7,500
Operation of Non-Instructional Services			
Extracurricular Activities	3,495	3,495	0
Capital Outlay	36,576	34,787	1,789
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>336,983</u>	<u>291,359</u>	<u>45,624</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(88,815)</u>	<u>(42,584)</u>	<u>46,231</u>
Other Financing Sources (Use)			
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
<i>Total Other Financing Sources (Use)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Use</i>	<u>(88,815)</u>	<u>(42,584)</u>	<u>46,231</u>
<i>Fund Balances Beginning of Year</i>	74,487	74,487	0
Prior Year Encumbrances Appropriated	<u>21,096</u>	<u>21,096</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$6,768</u></u>	<u><u>\$52,999</u></u>	<u><u>\$46,231</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$6,669,499	\$7,068,991	\$399,492
1,980,123	2,025,754	45,631
108,877	153,311	44,434
197,000	185,778	(11,222)
67,900	42,010	(25,890)
150,000	7,532	(142,468)
15,000	20,766	5,766
75,172	76,372	1,200
<u>9,263,571</u>	<u>9,580,514</u>	<u>316,943</u>
4,048,419	3,973,582	74,837
658,781	592,591	66,190
633,079	570,497	62,582
367,502	316,788	50,714
96,274	89,809	6,465
664,736	654,546	10,190
309,022	302,492	6,530
51,500	48,856	2,644
1,004,538	962,622	41,916
766,946	746,331	20,615
69,330	59,177	10,153
91,426	86,177	5,249
623,149	585,779	37,370
259,767	248,739	11,028
135,000	135,000	0
140,410	140,409	1
<u>9,919,879</u>	<u>9,513,395</u>	<u>406,484</u>
<u>(656,308)</u>	<u>67,119</u>	<u>723,427</u>
0	2,472	2,472
4,147	4,147	0
0	(4,147)	(4,147)
<u>4,147</u>	<u>2,472</u>	<u>(1,675)</u>
(652,161)	69,591	721,752
1,753,471	1,753,471	0
236,786	236,786	0
<u>\$1,338,096</u>	<u>\$2,059,848</u>	<u>\$721,752</u>

Kirtland Local School District
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity*
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues				
Sales	\$189,977	\$0	\$0	\$189,977
Charges for Services	0	1,859,092	0	1,859,092
Interest	0	0	4,172	4,172
Contributions and Donations	0	0	5,000	5,000
Other	238	0	0	238
<i>Total Operating Revenues</i>	<u>190,215</u>	<u>1,859,092</u>	<u>9,172</u>	<u>2,058,479</u>
Operating Expenses				
Salaries	72,677	104,638	0	177,315
Fringe Benefits	59,264	26,018	0	85,282
Purchased Services	7,992	2,260,250	0	2,268,242
Materials and Supplies	0	231,907	0	231,907
Cost of Sales	124,121	0	0	124,121
Depreciation	1,832	177,394	0	179,226
Other	43	7,849	2,705	10,597
<i>Total Operating Expenses</i>	<u>265,929</u>	<u>2,808,056</u>	<u>2,705</u>	<u>3,076,690</u>
<i>Operating Income (Loss)</i>	<u>(75,714)</u>	<u>(948,964)</u>	<u>6,467</u>	<u>(1,018,211)</u>
Non-Operating Revenues				
Federal Donated Commodities	11,819	0	0	11,819
Interest	2,297	22,522	0	24,819
Operating Grants	26,594	859,112	0	885,706
Other	50	0	0	50
<i>Total Non-Operating Revenues</i>	<u>40,760</u>	<u>881,634</u>	<u>0</u>	<u>922,394</u>
<i>Net Income (Loss)</i>	<u>(34,954)</u>	<u>(67,330)</u>	<u>6,467</u>	<u>(95,817)</u>
<i>Retained Earnings/Fund Balance</i>				
<i>Beginning of Year</i>	<u>43,053</u>	<u>1,218,873</u>	<u>69,996</u>	<u>1,331,922</u>
<i>Retained Earnings/ Fund Balance End of Year</i>	<u>\$8,099</u>	<u>\$1,151,543</u>	<u>\$76,463</u>	<u>\$1,236,105</u>

See accompanying notes to the general purpose financial statements

Kirtland Local School District
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2001*

	Enterprise Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Sales	\$213,202	\$189,979	(\$23,223)
Charges for Services	0	0	0
Interest	3,000	2,297	(703)
Contributions and Donations	0	0	0
Operating Grants	23,800	26,594	2,794
Other Revenue	0	50	50
<i>Total Revenues</i>	<u>240,002</u>	<u>218,920</u>	<u>(21,082)</u>
Expenses			
Salaries	84,600	84,000	600
Fringe Benefits	41,800	41,158	642
Purchased Services	8,872	7,992	880
Materials and Supplies	124,957	113,559	11,398
Capital Outlay	0	0	0
Other	43	43	0
<i>Total Expenses</i>	<u>260,272</u>	<u>246,752</u>	<u>13,520</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(20,270)	(27,832)	(7,562)
<i>Fund Equity Beginning of Year</i>	52,361	52,361	0
Prior Year Encumbrances Appropriated	0	0	0
<i>Fund Equity End of Year</i>	<u>\$32,091</u>	<u>\$24,529</u>	<u>(\$7,562)</u>

(continued)

Kirtland Local School District
*Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Nonexpendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 2001*

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$0	\$0	\$0
Charges for Services	2,044,500	1,859,092	(185,408)
Interest	15,000	22,522	7,522
Contributions and Donations	0	0	0
Operating Grants	1,150,000	746,070	(403,930)
Other Revenue	0	0	0
<i>Total Revenues</i>	<u>3,209,500</u>	<u>2,627,684</u>	<u>(581,816)</u>
Expenses			
Salaries	153,985	148,175	5,810
Fringe Benefits	35,412	33,645	1,767
Purchased Services	2,403,551	2,370,261	33,290
Materials and Supplies	50,787	45,973	4,814
Capital Outlay	169,736	123,749	45,987
Other	7,849	7,849	0
<i>Total Expenses</i>	<u>2,821,320</u>	<u>2,729,652</u>	<u>91,668</u>
<i>Excess of Revenues Over (Under) Expenses</i>	388,180	(101,968)	490,148
<i>Fund Equity Beginning of Year</i>	143,088	143,088	0
Prior Year Encumbrances Appropriated	<u>57,949</u>	<u>57,949</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$589,217</u></u>	<u><u>\$99,069</u></u>	<u><u>(\$490,148)</u></u>

See accompanying notes to the general purpose financial statements

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$213,202	\$189,979	(\$23,223)
0	0	0	2,044,500	1,859,092	(185,408)
4,115	4,172	57	22,115	28,991	6,876
0	5,000	5,000	\$0	\$5,000	5,000
0	0	0	1,173,800	772,664	(401,136)
0	0	0	0	50	50
<u>4,115</u>	<u>9,172</u>	<u>5,057</u>	<u>3,453,617</u>	<u>2,855,776</u>	<u>(597,841)</u>
0	0	0	238,585	232,175	6,410
0	0	0	77,212	74,803	2,409
0	0	0	2,412,423	2,378,253	34,170
1,200	0	1,200	176,944	159,532	17,412
0	0	0	169,736	123,749	45,987
<u>4,340</u>	<u>3,340</u>	<u>1,000</u>	<u>12,232</u>	<u>11,232</u>	<u>1,000</u>
<u>5,540</u>	<u>3,340</u>	<u>2,200</u>	<u>3,087,132</u>	<u>2,979,744</u>	<u>107,388</u>
(1,425)	5,832	7,257	366,485	(123,968)	(490,453)
69,996	69,996	0	265,445	265,445	0
0	0	0	57,949	57,949	0
<u>\$68,571</u>	<u>\$75,828</u>	<u>\$7,257</u>	<u>\$689,879</u>	<u>\$199,426</u>	<u>(\$490,453)</u>

Kirtland Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$189,979	\$1,859,092	\$0	\$2,049,071
Cash Received from Contributions and Donations	0	0	5,000	5,000
Cash Received from Interest	0	0	4,172	4,172
Cash Received from Other Revenues	50	0	0	50
Cash Payments to Suppliers for Goods and Services	(121,551)	(2,373,854)	0	(2,495,405)
Cash Payments to Employees for Services	(84,000)	(148,175)	0	(232,175)
Cash Payments for Employee Benefits	(41,158)	(33,645)	0	(74,803)
Cash Payments for Other Operating Expenses	(44)	(7,849)	(2,705)	(10,598)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(56,724)</u>	<u>(704,431)</u>	<u>6,467</u>	<u>(754,688)</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	26,594	746,070	0	772,664
Payments for Capital Acquisitions	0	(123,749)	0	(123,749)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>26,594</u>	<u>622,321</u>	<u>0</u>	<u>648,915</u>
Cash Flows from Investing Activities				
Interest on Investments	2,297	22,522	0	24,819
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(27,833)</u>	<u>(59,588)</u>	<u>6,467</u>	<u>(80,954)</u>
Cash and Cash Equivalents Beginning of Year	<u>52,362</u>	<u>201,039</u>	<u>69,996</u>	<u>323,397</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$24,529</u>	<u>\$141,451</u>	<u>\$76,463</u>	<u>\$242,443</u>

(continued)

Kirtland Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
<i>Operating Income (Loss)</i>	(\$75,714)	(\$948,964)	\$6,467	(\$1,018,211)
Adjustments:				
Depreciation	1,832	177,394	0	179,226
Donated Commodities Used During Year	11,819	0	0	11,819
<i>(Increase)/Decrease in Assets:</i>				
Accounts Receivable	(238)	0	0	(238)
Inventory Held for Resale	(2,274)	0	0	(2,274)
Materials and Supplies Inventory	1,017	0	0	1,017
<i>Increase/(Decrease) in Liabilities:</i>				
Accounts Payable	0	70,114	0	70,114
Accrued Wages and Benefits	1,928	(15,101)	0	(13,173)
Compensated Absences Payable	2,978	3,317	0	6,295
Intergovernmental Payable	1,928	3,585	0	5,513
Early Retirement Incentive Payable	0	5,224	0	5,224
<i>Total Adjustments</i>	18,990	244,533	0	263,523
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$56,724)	(\$704,431)	\$6,467	(\$754,688)
<i>Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet:</i>				
Cash and Cash Equivalents - All Fiduciary Funds	\$98,763			
Cash and Cash Equivalents - Agency Funds	(22,300)			
Cash and Cash Equivalents - Nonexpendable Trust Fund	\$76,463			

See accompanying notes to the general purpose financial statements

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Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1944 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 25 square miles. It is located mostly in Lake County, partially in Geauga County, and includes all of the territory of the City of Kirtland, and portions of Waite Hill Village, Kirtland Hills Village, Chardon Township, and the City of Willoughby. It is staffed by 58 non-certified employees and 83 certified full-time teaching personnel who provide services to 1,013 students and other community members. The School District currently operates three instructional buildings, one administrative building, a maintenance garage and a bus garage.

Reporting Entity

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

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

The School District is associated with five jointly governed organizations, a shared risk pool, a related organization and an insurance purchasing pool. These organizations are the Lake Geauga Computer Association, Auburn Career Center, the East Shore Regional Transportation System, the East Shore Center, the Lake County Council of Governments Health Care Benefits Program, the Kirtland Public Library, the Ohio School Boards' Association Workers' Compensation Group Rating Program and the Ohio Schools Council, which are presented in Notes 15, 16, 17 and 18 to the general purpose financial statements.

Nonpublic Schools - Within the School District boundaries, the Willo-Hill Christian School and Peaceful Children School are operated by religious organizations. These schools have refused State funding and are therefore excluded from the Kirtland Local School District reporting entity.

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Kirtland Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund The general fund is the operating fund of the School District and 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.

Special Revenue Funds Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund The enterprise fund is used to account for School Districts activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund The internal service fund is used for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The School District's fiduciary funds include nonexpendable trust funds and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund level which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control. Any revisions that alter the total of any fund appropriation, must be approved by the Board of Education.

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

The School District utilizes a financial institution to service bonded debt as principal and interest come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits into an account separate from the School District treasury.

During fiscal year 2001, investments were limited to STAROhio and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$143,541, which includes \$6,903 assigned from other School District funds.

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the 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 considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food and are expensed when used.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of vehicles and furniture and equipment in the enterprise and internal services funds are computed using the straight-line method over an estimated useful life that ranges from five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Compensated Absences

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

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are generally considered not to have been made with current available financial resources. Capital leases and bonds are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Non-recurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Fund Balance Reserves and Designations

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Designations represent tentative plans for future use of financial resources. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of materials and supplies, contributions, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

expenditures. The reserve for contributions represents contributions to nonexpendable trust funds that must be kept intact. Fund balance in the general fund includes designations that represents the amount set-aside by the Board of Education for budget stabilization in excess of the statutory requirement and for money that the School District has set-aside for future claims.

L. Estimates

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

M. Totals Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Changes in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." This change in accounting principle had the following effect on fund balance at June 30, 2000:

	Special Revenue
Fund Balance at June 30, 2000	\$188,503
Implementation of GASB 33 and 36	4,505
Adjusted Fund Balance at June 30, 2000	\$193,008

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Kirtland Local School District
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1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Use
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$219,621)	(\$31,570)	\$20,916	\$105,370
Net Adjustment for				
Revenue Accruals	163,656	(23,821)	3,403	(126,493)
Advances In	4,147	0	0	0
Net Adjustment for				
Expenditure Accruals	342,483	6,929	0	(51)
Advances Out	0	(4,147)	0	0
Encumbrances	(92,669)	(57,531)	0	(21,410)
Budget Basis	\$197,996	(\$110,140)	\$24,319	(\$42,584)

Net Income (Loss)/Excess of Revenues
Over (Under) Expenses
All Proprietary Fund Types and Nonexpendable Trust Fund

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	(\$34,954)	(\$67,330)	\$6,467
Net Adjustment for Revenue Accruals	(238)	(113,042)	0
Net Adjustment for Expense Accruals	5,528	109,727	0
Capital Outlay	0	(166,335)	0
Depreciation Expense	1,832	177,394	0
Encumbrances	0	(42,382)	(635)
Budget Basis	(\$27,832)	(\$101,968)	\$5,832

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Note 5 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

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7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

At June 30, 2001, the School District's general fund had a balance of \$101,611 with Lake County Council of Governments Health Care Benefits Program, a shared risk pool (See Note 16). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB No. 3. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Mentor Exempted Village School District. To obtain financial information, write to Mr. James Metz, Treasurer, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was (\$82,116) and the bank balance was \$242,914. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$142,914 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are

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held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$366,116	\$366,116	\$366,116
STAROhio		2,218,002	2,218,002
<i>Totals</i>		\$2,584,118	\$2,584,118

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
<i>GASB Statement 9</i>	\$2,603,613	\$0
Money held by the health care program's fiscal agent	(101,611)	0
<i>Investments which are part of the cash management pool:</i>		
Repurchase Agreement	(366,116)	366,116
STAROhio	(2,218,002)	2,218,002
<i>GASB Statement 3</i>	(\$82,116)	\$2,584,118

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 year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

Kirtland Local School District
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2001 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second Half Collections		2001 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$205,159,150	93.10%	\$233,404,150	93.92%
Public Utility Personal	11,655,220	5.29	11,117,270	4.47
Tangible Personal Property	3,547,831	1.61	4,004,743	1.61
	\$220,362,201	100.00%	\$248,526,163	100.00%

Tax Rate per \$1,000 of assessed valuation	\$69.52	\$67.68
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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.

Tangible personal property taxes 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.

The School District receives property taxes from Lake and Geauga Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$643,361, \$471,004 was available to the general fund, \$23,070 was available to the bond retirement debt service fund, and \$149,287 was available to the permanent improvement fund.

Note 7 - Receivables

Receivables at June 30, 2001 consisted of property taxes, accounts (rent, billings for user charged services, and tuition and fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

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For the Fiscal Year Ended June 30, 2001

	Amounts
<i>General Fund:</i>	
Excess Cost	\$1,568
<i>Special Revenue Funds:</i>	
Eisenhower Grant	415
Title VI-B	23,908
Title I	2,798
Drug Free Schools	2,198
<i>Total Special Revenue Funds</i>	29,319
<i>Internal Service Fund:</i>	
Regional Transportation	2,432,302
<i>Total All Funds</i>	\$2,463,189

Note 8 - Fixed Assets

A summary of the Proprietary Funds' fixed assets at June 30, 2001, follows:

	Enterprise	Internal Service
Vehicles	\$0	\$2,392,853
Furniture Fixtures and Equipment	83,895	1,080
Less: Accumulated Depreciation	(78,787)	(1,389,900)
Net Fixed Assets	\$5,108	\$1,004,033

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance 06/30/00	Additions	Deletions	Balance 06/30/01
Land and Improvements	\$628,251	\$24,406	\$0	\$652,657
Buildings	16,269,929	214,184	0	16,484,113
Furniture and Equipment	2,236,883	187,552	0	2,424,435
Vehicles	1,044,783	100,730	0	1,145,513
Total	\$20,179,846	\$526,872	\$0	\$20,706,718

Note 9 - Risk Management

A. Property and Liability

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 2001, the School District contracted with various insurance agencies for various types of insurance. Coverages are as follows:

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Coverage	Amount	Deductible
Blanket Building and Contents	\$16,772,161	\$0
Extra Expense Coverage	1,000,000	0
Valuable Papers	25,000	0
Money and Securities	5,000	250
Boiler/Machinery - Blanket	30,000,000	1,000
Consequential Loss	50,000	500
Water Damage	100,000	0
Off Premises Service Interruption	500,000	0
Ordinance or Law	1,000,000	0
Business Interruption and Extra Expense	Actual Loss	0
Liability	5,000,000	0
Business Auto - Liability	5,000,000	50
Uninsured Motorists - Comprehensive	2,000,000	0
Medical - Collision/Liability/Bodily		
Injury/Medical	5,000	250
Inland Marine		
Instruments	57,215	0
Contractor's Equipment	9,200/1,500	0
Transit	60,000	0

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 contracted with the Lake County Schools Council of Governments (LCSC) to provide employee health and medical benefits since 1995. The LCSC is a shared risk pool comprised of eleven Lake County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The LCSC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims.

The LCSC has stop loss coverage of 110% of expected claims. The District's share of the claims liability was provided by the third party administrator and is based on the requirements of Government Accounting Standards Board, Statement No. 10, which requires that a liability for unpaid claims cost, including estimates of cost related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal

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year, each participating member may be notified of the deficiency and can be billed for its share of the additional cost.

Changes in the District's share of the claims liability amount in 1999, 2000 and 2001 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1999	\$0	\$522,287	\$522,287	\$0
2000	0	607,524	551,168	56,356
2001	56,356	693,938	703,702	46,592

C. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. 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 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

Kirtland Local School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit 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 State statute per 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 may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$57,870, \$186,078 and \$201,000 respectively; 52.74 percent has been contributed for fiscal year

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2001 and 100 percent for fiscal years 2000 and 1999. \$27,347 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$409,320, \$527,196 and \$513,492, respectively; 86.17 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$56,608 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$193,888 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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For the Fiscal Year Ended June 30, 2001

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$135,030.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 12 - Employee Benefits

A. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees from Hartford Life Insurance through the Ohio Schools Council.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement. All employees who are eligible to retire will receive up to 30 days of accumulated sick leave at the full time daily rate, plus one fourth of the accumulated sick leave days in excess of 120 at the same rate. Maximum allowable days for certified employees is 60, and 50 days is the maximum for classified employees.

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C. Early Retirement Incentive

The Kirtland Local School District Board of Education approved an Early Retirement Incentive program in fiscal year 2001 for certified employees. The Retirement Incentive is based upon first-time retirement eligibility under STRS and notification of retirement in writing by March 15. The retirement incentive is paid in two installments; July 31, 2001 and May 31, 2002. These payments are made from the fund from which the employee is paid.

Note 13 - Capital Leases

In prior years, the School District entered into capitalized leases for copiers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$43,416. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long term obligations account group. Principal payments in fiscal year 2001 totaled \$18,897.

<u>Year</u>	<u>General Long-Term Obligation</u>
2002	\$13,987
2003	7,260
2004	4,717
2005	1,967
Total Minimum Lease Payments	<u>27,931</u>
Less: Amount Representing Interest	<u>(3,412)</u>
Present Value of minimum lease payments	<u><u>\$24,519</u></u>

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Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
General Obligation Bond:				
1989 School Improvement Bond 8.43%	\$1,950,000	\$0	\$135,000	\$1,815,000
Other Long Term Obligations:				
Compensated Absences	380,542	1,757	29,412	352,887
Pension Obligation	62,169	59,759	62,169	59,759
Retirement Incentive	0	107,250	0	107,250
Capital Leases	43,416	0	18,897	24,519
Total General Long-Term Obligations				
<i>Obligations</i>	<u>\$2,436,127</u>	<u>\$168,766</u>	<u>\$245,478</u>	<u>\$2,359,415</u>

The general obligation bonds will be paid from the debt service fund. The capital lease will be paid from the general fund. Compensated absences, the pension obligation, and the retirement incentive will be paid from the fund from which the employees salaries are paid.

The School District's overall legal debt margin at June 30, 2001 was \$24,049,636 with an unvoted debt margin of \$248,526 at June 30, 2001. The Early Retirement Incentive will be paid during fiscal year 2002. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$145,000	\$130,223	\$275,223
2003	160,000	119,090	279,090
2004	170,000	106,875	276,875
2005	185,000	93,563	278,563
2006	200,000	79,125	279,125
2007-2009	<u>955,000</u>	<u>149,437</u>	<u>1,104,437</u>
Total	<u>\$1,815,000</u>	<u>\$678,313</u>	<u>\$2,493,313</u>

Note 15 - 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. Financial information can be obtained by writing the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Auburn Career Center - The Auburn Career Center is a joint vocational school which is a jointly governed organization among 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.

East Shore Regional Transportation System - The East Shore Regional Transportation System (ESRTA) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

East Shore Center - The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, OH 44060.

Ohio Schools Council - The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2001, the School District paid \$284,549 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Note 16 - Shared Risk Pool

The School District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, a shared risk pool comprised of eleven 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.

Note 17 - Related Organization

The Kirtland Public Library - 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 18 - 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 district pay an enrollment fee to the GRP to cover the costs of administering the program.

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 19 - 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, 2001.

B. Litigation

The Kirtland Local School District is not a party to legal proceedings.

Note 20 - Set-Aside Calculations

The Kirtland Local 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2000	(\$71,293)	\$0	\$110,246
Reduction authorized by legislative revisions	0	0	(59,755)
Current year set-aside requirement	205,984	205,984	4,625
Qualifying Disbursements	(227,583)	(221,652)	0
Totals	<u>(\$92,892)</u>	<u>(\$15,668)</u>	<u>\$55,116</u>
Set-aside Balance Carried Forward to			
Future Fiscal Years	<u>(\$92,892)</u>	<u>\$0</u>	<u>\$55,116</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$55,116</u>

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$55,116. The general fund balance includes \$59,755 that has been designated for the amount of set-asides in excess of requirements.

Kirtland Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 21 - Subsequent Event

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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KIRTLAND LOCAL SCHOOL DISTRICT

COMBINED BALANCE SHEET
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Long-Term Obligations	General Fixed Assets		
ASSETS											
Equity in pooled cash and cash equivalents	\$ 1,498,726	201,825	85,330	95,581	52,363	201,039	84,894	-	-	-	2,219,758
Restricted cash and cash equivalents	108,797	-	-	-	-	-	-	-	-	-	108,797
Cash with fiscal agents	98,792	-	5,798	-	-	-	-	-	-	-	104,590
Receivables:											
Taxes	6,194,466	-	250,619	200,281	-	-	-	-	-	-	6,645,366
Accounts	1,554	993	-	-	-	-	161	-	-	-	2,708
Intergovernmental	-	-	-	-	-	2,319,260	-	-	-	-	2,319,260
Interfund receivable	4,147	-	-	-	-	-	-	-	-	-	4,147
Prepaid items	1,147	-	-	-	-	-	-	-	-	-	1,147
Inventory held for resale	4,334	-	-	-	10,576	-	-	-	-	-	14,910
Materials and supplies inventory	-	-	-	-	481	-	-	-	-	-	481
Fixed assets (Net, where applicable, of accumulated depreciation)	-	-	-	-	6,940	1,057,678	-	-	20,179,846	-	21,244,464
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	-	111,803	111,803
Amount to be provided from general government resources	-	-	-	-	-	-	-	-	-	2,324,324	2,324,324
Total Assets	\$ 7,911,963	202,818	341,747	295,862	70,360	3,577,977	85,055	20,179,846	2,436,127	35,101,755	

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 All Fund Types and Account Groups - continued
 June 30, 2000

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
LIABILITIES												
Accounts payable	\$ 4,198	5,015	-	51	-	2,319,260	-	-	-	-	-	2,328,524
Accrued wages and benefits	703,393	4,050	-	-	11,323	20,918	-	-	-	-	-	739,684
Compensated absences payable	8,751	-	-	-	4,697	7,982	-	-	-	380,542	-	401,972
Pension obligation payable	112,592	637	-	-	7,161	10,347	-	-	-	62,169	-	192,906
Interfund payable	-	4,147	-	-	-	-	-	-	-	-	-	4,147
Due to other governments	22,579	466	-	-	387	597	-	-	-	-	-	24,029
Deferred revenue	5,551,595	-	224,146	177,485	3,739	-	-	-	-	-	-	5,956,965
Due to students	-	-	-	-	-	-	15,059	-	-	-	-	15,059
Claim Payable	56,356	-	-	-	-	-	-	-	-	-	-	56,356
Capital lease payable	-	-	-	-	-	-	-	-	-	43,416	-	43,416
Matured bonds and interest payable	-	-	5,798	-	-	-	-	-	-	-	-	5,798
General obligation bonds payable	-	-	-	-	-	-	-	-	-	1,950,000	-	1,950,000
Total Liabilities	\$ 6,459,464	14,315	229,944	177,536	27,307	2,359,104	15,059	-	2,436,127	-	-	11,718,856
FUND EQUITY												
Investment in general fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings:												
Unreserved: undesignated	-	-	-	-	43,053	62,668	-	-	-	20,179,846	-	20,179,846
Fund balance:												
Reserved for encumbrances	\$ 197,901	29,008	-	21,147	-	-	-	-	-	-	-	248,056
Reserved for inventory	4,334	-	-	-	-	-	-	-	-	-	-	4,334
Reserved for prepaid items	1,147	-	-	-	-	-	-	-	-	-	-	1,147
Reserved for property taxes	642,871	-	26,473	22,796	-	-	-	-	-	-	-	692,140
Reserved for debt service	-	-	85,330	-	-	-	-	-	-	-	-	85,330
Reserved for budget stabilization	110,246	-	-	-	-	-	-	-	-	-	-	110,246
Reserved for contributions	-	-	-	-	-	-	69,996	-	-	-	-	69,996
Unreserved:												
Designated for claim	42,436	-	-	-	-	-	-	-	-	-	-	42,436
Undesignated	453,564	159,495	-	74,383	-	1,156,205	-	-	-	-	-	1,843,647
Total Fund Equity	1,452,499	188,503	111,803	118,326	43,053	1,218,873	69,996	20,179,846	-	-	-	23,382,899
Total Liabilities and Fund Equity	\$ 7,911,963	202,818	341,747	295,862	70,360	3,577,977	85,055	20,179,846	2,436,127	-	-	35,101,755

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
All Governmental Fund Types
For the Year Ended June 30, 2000

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>REVENUES:</u>					
Taxes	\$ 6,195,757	-	234,036	225,514	6,655,307
Intergovernmental	1,732,732	169,615	28,324	27,942	1,958,613
Interest	109,526	-	6,860	-	116,386
Tuition and fees	137,876	69,204	-	-	207,080
Extracurricular activities	391	65,038	-	-	65,429
Miscellaneous	80,254	246,036	-	91	326,381
Total Revenues	8,256,536	549,893	269,220	253,547	9,329,196
<u>EXPENDITURES:</u>					
Instruction	3,916,808	106,468	-	98,885	4,122,161
Support Services:					
Pupils	394,646	35,519	-	74	430,239
Instructional staff	237,224	71,425	-	24,481	333,130
Board of education	82,247	2	-	-	82,249
Administration	609,507	6,046	-	5,584	621,137
Fiscal	277,203	-	2,478	2,732	282,413
Business	49,106	-	-	-	49,106
Operation and maintenance of plant	757,406	985	-	55,882	814,273
Pupil transportation	675,091	-	-	-	675,091
Central	25,522	9,106	-	46,565	81,193
Operation of non-instructional services	74,740	-	-	-	74,740
Extracurricular activities	300,954	210,515	-	4,990	516,459
Capital outlay	60,055	-	-	41,359	101,414
Debt Service:					
Principal retirement	-	-	125,000	-	125,000
Interest and fiscal charges	-	-	151,474	-	151,474
Total Expenditures	7,460,509	440,066	278,952	280,552	8,460,079
Excess of Revenues Over/(Under) Expenditures	796,027	109,827	(9,732)	(27,005)	869,117
<u>Other Financing Sources/(Uses):</u>					
Proceeds from Sale of Fixed Assets	1,000	-	-	-	1,000
Refund of prior year expenditures	3,568	3,322	-	-	6,890
Inception of capital lease	43,416	-	-	-	43,416
Transfer in	2,155	-	-	-	2,155
Total Other Financing Sources/(Uses)	50,139	3,322	-	-	53,461
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	846,166	113,149	(9,732)	(27,005)	922,578
Fund Balance/(Deficit) - July 1	601,999	75,354	121,535	145,331	944,219
Increase in Reserved for Inventory	4,334	-	-	-	4,334
Fund Balance/(Deficit) - June 30	\$ 1,452,499	188,503	111,803	118,326	1,871,131

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>REVENUES:</u>						
Taxes	\$ 6,030,521	5,945,744	(84,777)	-	-	-
Intergovernmental	1,721,820	1,733,532	11,712	220,140	174,980	(45,160)
Tuition	88,986	105,033	16,047	-	-	-
Earnings on investments	77,457	109,526	32,069	-	-	-
Extracurricular activities	1,009	421	(588)	70,853	65,725	(5,128)
Classroom materials and fees	27,256	33,723	6,467	45,850	69,204	23,354
Miscellaneous	62,856	88,543	25,687	226,122	245,043	18,921
Total Revenues	8,009,905	8,016,522	6,617	562,965	554,952	(8,013)
<u>EXPENDITURES:</u>						
Instruction	4,101,312	3,931,694	169,618	111,629	106,462	5,167
Support Services:						
Pupils	460,488	401,542	58,946	40,466	36,096	4,370
Instructional support	255,926	251,103	4,823	82,819	71,578	11,241
Board of education	96,837	81,567	15,270	-	-	-
Administration	633,563	603,496	30,067	6,316	6,046	270
Fiscal	284,673	260,319	24,354	-	-	-
Business	53,000	49,106	3,894	-	-	-
Operation and maintenance of plant	795,913	786,311	9,602	985	985	-
Pupil transportation	697,548	670,028	27,520	-	-	-
Central	49,840	25,557	24,283	7,043	5,382	1,661
Operation of noninstructional services	5,879	5,147	732	-	-	-
Extracurricular activities	314,107	302,690	11,417	247,458	229,600	17,858
Capital outlay	198,350	198,289	61	-	-	-
Debt Service:						
Principal payments	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	7,947,436	7,566,849	380,587	496,716	456,149	40,567
Excess of Revenues Over/ (Under) Expenditures	62,469	449,673	387,204	66,249	98,803	32,554
<u>Other Financing Sources/(Uses):</u>						
Sale of fixed assets	-	1,000	1,000	-	-	-
Refund of prior year expenditures	-	3,634	3,634	3,322	3,322	-
Transfer in	-	2,155	2,155	-	-	-
Transfer out	(60,000)	-	60,000	-	-	-
Advance in	-	-	-	4,147	4,147	-
Advance out	(4,147)	(4,147)	-	-	-	-
Total Other Financing Sources/(Uses)	(64,147)	2,642	66,789	7,469	7,469	-
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(1,678)	452,315	453,993	73,718	106,272	32,554
Fund Balance/(Deficit) July 1	918,426	918,426	-	55,666	55,666	-
Prior year encumbrances appropriated	43,083	43,083	-	17,892	17,892	-
Fund Balance/(Deficit) June 30	\$ 959,831	1,413,824	453,993	147,276	179,830	32,554

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 2000

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>REVENUES:</u>						
Taxes	\$ 218,147	222,211	4,064	217,935	218,798	863
Intergovernmental	28,671	28,324	(347)	28,852	27,942	(910)
Tuition	-	-	-	-	-	-
Earnings on investments	10,131	6,860	(3,271)	-	-	-
Extracurricular activities	-	-	-	-	-	-
Classroom materials and fees	-	-	-	-	-	-
Miscellaneous	-	-	-	45	107	62
Total Revenues	256,949	257,395	446	246,832	246,847	15
<u>EXPENDITURES:</u>						
Instruction	-	-	-	103,269	99,432	3,837
Support Services:						
Pupils	-	-	-	1,000	74	926
Instructional support	-	-	-	49,577	24,909	24,668
Board of education	-	-	-	-	-	-
Administration	-	-	-	13,000	5,584	7,416
Fiscal	3,000	2,478	522	8,082	2,732	5,350
Business	-	-	-	-	-	-
Operation and maintenance of plant	-	-	-	73,470	71,902	1,568
Pupil transportation	-	-	-	47,074	46,765	309
Central	-	-	-	-	-	-
Operation of noninstructional services	-	-	-	-	-	-
Extracurricular activities	-	-	-	6,370	4,990	1,380
Capital outlay	-	-	-	61,856	45,659	16,197
Debt Service:						
Principal payments	125,000	125,000	-	-	-	-
Interest and fiscal charges	152,000	151,474	526	-	-	-
Total Expenditures	280,000	278,952	1,048	363,698	302,047	61,651
Excess of Revenues Over/ (Under) Expenditures	(23,051)	(21,557)	1,494	(116,866)	(55,200)	61,666
<u>Other Financing Sources/(Uses):</u>						
Sale of fixed assets	-	-	-	-	-	-
Refund of prior year expenditures	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Advance in	-	-	-	-	-	-
Advance out	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-	-	-
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(23,051)	(21,557)	1,494	(116,866)	(55,200)	61,666
Fund Balance/(Deficit) July 1	106,887	106,887	-	127,758	127,758	-
Prior year encumbrances appropriated	-	-	-	1,929	1,929	-
Fund Balance/(Deficit) June 30	\$ 83,836	85,330	1,494	12,821	74,487	61,666

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 2000

	Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>REVENUES:</u>			
Taxes	\$ 6,466,603	6,386,753	(79,850)
Intergovernmental	1,999,483	1,964,778	(34,705)
Tuition	88,986	105,033	16,047
Earnings on investments	87,588	116,386	28,798
Extracurricular activities	71,862	66,146	(5,716)
Classroom materials and fees	73,106	102,927	29,821
Miscellaneous	289,023	333,693	44,670
Total Revenues	9,076,651	9,075,716	(935)
 <u>EXPENDITURES:</u>			
Instruction	4,316,210	4,137,588	178,622
Support Services:			
Pupils	501,954	437,712	64,242
Instructional support	388,322	347,590	40,732
Board of education	96,837	81,567	15,270
Administration	652,879	615,126	37,753
Fiscal	295,755	265,529	30,226
Business	53,000	49,106	3,894
Operation and maintenance of plant	870,368	859,198	11,170
Pupil transportation	744,622	716,793	27,829
Central	56,883	30,939	25,944
Operation of noninstructional services	5,879	5,147	732
Extracurricular activities	567,935	537,280	30,655
Capital outlay	260,206	243,948	16,258
Debt Service:			
Principal payments	125,000	125,000	-
Interest and fiscal charges	152,000	151,474	526
Total Expenditures	9,087,850	8,603,997	483,853
Excess of Revenues Over/ (Under) Expenditures	(11,199)	471,719	482,918
 <u>Other Financing Sources/(Uses):</u>			
Sale of fixed assets	-	1,000	1,000
Refund of prior year expenditures	3,322	6,956	3,634
Transfer in	-	2,155	2,155
Transfer out	(60,000)	-	60,000
Advance in	4,147	4,147	-
Advance out	(4,147)	(4,147)	-
Total Other Financing Sources/(Uses)	(56,678)	10,111	66,789
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(67,877)	481,830	549,707
Fund Balance/(Deficit) July 1	1,208,737	1,208,737	-
Prior year encumbrances appropriated	62,904	62,904	-
Fund Balance/(Deficit) June 30	\$ 1,203,764	1,753,471	549,707

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS
All Proprietary Fund Types and Similar Trust Funds
For the Year Ended June 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Fund Types</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Non-Expendable</u> <u>Trust</u>	<u>(Memorandum</u> <u>Only)</u>
<u>Operating revenues:</u>				
Food services	\$ 214,978	-	-	214,978
Transportation fees	-	1,527,178	-	1,527,178
Interest	-	-	3,798	3,798
Miscellaneous	-	-	5,050	5,050
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	214,978	1,527,178	8,848	1,751,004
<u>Operating expenses:</u>				
Salaries	86,536	2,012,280	-	2,098,816
Fringe benefits	36,630	30,721	-	67,351
Purchased services	4,841	91,989	2,000	98,830
Materials and supplies	132,012	184,716	617	317,345
Depreciation expense	1,832	177,394	-	179,226
Other expenses	-	-	862	862
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	261,851	2,497,100	3,479	2,762,430
Operating Income/(Loss)	(46,873)	(969,922)	5,369	(1,011,426)
<u>Nonoperating revenues/(expenses):</u>				
Federally donated commodities	11,285	-	-	11,285
Intergovernmental	20,919	916,245	-	937,164
Interest	2,773	16,888	-	19,661
Refund of prior year receipts	-	(100)	-	(100)
Loss on disposal of fixed assets	-	(1,000)	-	(1,000)
Transfer out	(2,155)	-	-	(2,155)
Other non-operating revenues	1,528	31,570	-	33,098
	<hr/>	<hr/>	<hr/>	<hr/>
Total Nonoperating revenues/(expenses)	34,350	963,603	-	997,953
Net Income/(Loss)	(12,523)	(6,319)	5,369	(13,473)
Retained Earnings/(Deficit) - July 1	<hr/>	<hr/>	<hr/>	<hr/>
	55,576	1,225,192	64,627	1,345,395
Retained Earnings/(Deficit) - June 30	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 43,053	1,218,873	69,996	1,331,922

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenses, and
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)
 All Proprietary Fund Types and Similar Trust Fund
 For the Year Ended June 30, 2000

	Enterprise Funds			Internal Service Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<u>OPERATING REVENUES:</u>						
Food services	\$ 240,000	214,978	(25,022)	-	-	-
Transportation fees	-	-	-	2,798,000	1,824,763	(973,237)
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Operating Revenues	240,000	214,978	(25,022)	2,798,000	1,824,763	(973,237)
<u>OPERATING EXPENSES:</u>						
Salaries	86,000	85,503	497	2,530,000	2,344,354	185,646
Fringe benefits	42,550	35,868	6,682	45,430	34,598	10,832
Purchased services	10,000	4,841	5,159	225,600	82,126	143,474
Materials and supplies	120,500	120,498	2	256,200	144,799	111,401
Capital outlay	10,000	80	9,920	362,891	251,375	111,516
Other operating expenses	-	-	-	-	-	-
Total Operating Expenses	269,050	246,790	22,260	3,420,121	2,857,252	562,869
Excess of Operating Revenues Over/ (Under) Operating Expenses	(29,050)	(31,812)	(2,762)	(622,121)	(1,032,489)	(410,368)
<u>NON-OPERATING REVENUE:</u>						
Intergovernmental	20,900	23,798	2,898	1,000,000	916,245	(83,755)
Interest	1,000	2,773	1,773	10,000	16,888	6,888
Sale of fixed assets	-	-	-	-	3,200	3,200
Miscellaneous revenues	-	1,528	1,528	76,500	31,570	(44,930)
Total Non-Operating Revenues	21,900	28,099	6,199	1,086,500	967,903	(118,597)
<u>NON-OPERATING EXPENSES:</u>						
Refund of prior year receipts	-	-	-	100	100	-
Transfer out	2,155	2,155	-	-	-	-
Total Non-Operating Expenses	2,155	2,155	-	100	100	-
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(9,305)	(5,868)	3,437	464,279	(64,686)	(528,965)
Fund Balance/(Deficit) July 1	57,729	57,729	-	149,883	149,883	-
Prior year encumbrances appropriated	500	500	-	57,891	57,891	-
Fund Balance/(Deficit) June 30	\$ 48,924	52,361	3,437	672,053	143,088	(528,965)

See accompanying notes to the general purpose financial statements

Non-Expendable Trust Fund			Total - (Memorandum Only)		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
-	-	-	\$ 240,000	214,978	(25,022)
-	-	-	2,798,000	1,824,763	(973,237)
\$ 9,250	3,798	(5,452)	9,250	3,798	(5,452)
-	5,050	5,050	-	5,050	5,050
9,250	8,848	(402)	3,047,250	2,048,589	(998,661)
-	-	-	2,616,000	2,429,857	186,143
-	-	-	87,980	70,466	17,514
\$ 3,000	2,000	1,000	238,600	88,967	149,633
1,100	617	483	377,800	265,914	111,886
-	-	-	372,891	251,455	121,436
900	862	38	900	862	38
5,000	3,479	1,521	3,694,171	3,107,521	586,650
4,250	5,369	1,119	(646,921)	(1,058,932)	(412,011)
-	-	-	1,020,900	940,043	(80,857)
-	-	-	11,000	19,661	8,661
-	-	-	-	3,200	3,200
-	-	-	76,500	33,098	(43,402)
-	-	-	1,108,400	996,002	(112,398)
-	-	-	100	100	-
-	-	-	2,155	2,155	-
-	-	-	2,255	2,255	-
4,250	5,369	1,119	459,224	(65,185)	(524,409)
64,627	64,627	-	272,239	272,239	-
-	-	-	58,391	58,391	-
\$ 68,877	69,996	1,119	\$ 789,854	265,445	(524,409)

KIRTLAND LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF CHANGES IN CASH FLOWS
All Proprietary Fund Types and Similar Trust Funds
For the Year Ended June 30, 2000

	Enterprise	Internal Service	Non- Expendable Trust	Total (Memorandum Only)
Cash flows from operating activities:				
Net operating income/(loss)	\$ (46,873)	(969,922)	5,369	(1,011,426)
Adjustments to reconcile net income/ (loss) to net cash provided/(used) by operating activities:				
Commodities expense related to noncash grant	11,285	-	-	11,285
Depreciation	1,832	177,394	-	179,226
(Increase)/decrease in assets:				
Due from other governments	2,879	297,585	-	300,464
Inventory held for resale	(2,541)	-	-	(2,541)
Materials and Supplies Inventory	(481)	-	-	(481)
Increase/(decrease) in liabilities:				
Accounts payable	(567)	(288,419)	-	(288,986)
Accrued wages and benefits	951	4,723	-	5,674
Compensated absences payable	(468)	(237)	-	(705)
Pension obligation payable	1,228	(1,054)	-	174
Deferred Revenue	3,739	-	-	3,739
Due to other governments	84	(2,494)	-	(2,410)
Net cash provided/(used) for operating activities	\$ (28,932)	(782,424)	5,369	(805,987)
Cash flows from noncapital financing activities:				
Intergovernmental	\$ 20,919	916,245	-	937,164
Refund of prior year receipts	-	(100)	-	(100)
Transfer out	(2,155)	-	-	(2,155)
Other nonoperating revenues	1,528	31,570	-	33,098
Net cash provided/(used) for noncapital financing activities	\$ 20,292	947,715	-	968,007
Cash flows from capital and related financing activities:				
Acquisition of capital assets	\$ -	(192,115)	-	(192,115)
Sale of fixed assets	-	3,200	-	3,200
Net cash provided/(used) for capital and related financing activities	\$ -	(188,915)	-	(188,915)
Cash flows from investing activities:				
Interest	\$ 2,773	16,888	-	19,661
Net cash provided/(used) for investing activities	\$ 2,773	16,888	-	19,661
Net increase/(decrease) in cash and cash equivalents	\$ (5,867)	(6,736)	5,369	(7,234)
Cash and cash equivalents, 7/1/99	58,230	207,775	64,627	330,632
Cash and cash equivalents, 6/30/00	\$ 52,363	201,039	69,996	323,398

See accompanying notes to the general purpose financial statements

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established 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 60 non-certificated employees and 82 certificated full-time teaching personnel who provide services to 994 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, a maintenance garage and a bus garage.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

Based on the above description, there are no component units within the School District.

The School District is associated with five organizations which are defined as jointly governed organizations, an insurance purchasing pool, a shared risk pool, and a related organization. These organizations are the Auburn Career Center, Lake/Geauga Computer Association, the Ohio School Council, East Shore Regional Transportation System, East Shore Center, the Ohio Schools' Council Workers' Compensation Group Rating Consortium, the Lake County Council of Governments Health Care Benefits Program, and the Kirtland Public Library, which are presented in Notes 14, 15, 16 and 17 to the general purpose financial statements.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

The following activities are not included within the reporting entity:

Parochial Schools - Within the School District boundaries, the Willo-Hill Christian School and Peaceful Children School are operated by a religious organization. The School has refused state funding, therefore, is excluded from Kirtland Local School District fund activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kirtland Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available financial expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds or trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund - The general fund is the operating fund of the School District and 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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Fund – The enterprise fund is used to account for the School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the Board of Education has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District, except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the "susceptible to accrual" concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advances, interest, tuition, grants, and student fees.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable, and the expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non - GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process (continued)

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Estimates

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

All investments of the School District had a maturity of five years or less. Investment earnings are allocated as authorized by State statute.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. 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 on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund is \$109,526, which includes \$11,456 from other School District funds.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents (continued)

The School District has a segregated bank account for monies held separate from the School District's central bank account. This interest bearing depository account is presented on the combined balance sheet as "cash with fiscal agents" since it is not required to be deposited into an account separate from the School District treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 20 for additional information regarding set-asides.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds and buses in the internal service fund are computed using the straight-line method over the following estimated useful lives.

<u>Asset</u>	<u>Life (Years)</u>
Office equipment/copiers	6
Kitchen equipment/miscellaneous furniture/fixtures/computers	7
Buses	10
Improvements	15

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available resources, since they are not a component of net current assets.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year end are generally considered not to have been paid with current available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance Reserves and Designations

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, prepaid items, debt service, contributions, and budget stabilization reserve.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions represents contributions to nonexpendable trust funds that must be kept intact. Fund balance in the general fund includes designations that represents the amount set-aside by the Board of Education for budget stabilization in excess of the statutory requirement and for money that the School District has set-aside for future claims.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Proprietary Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER/(UNDER) EXPENDITURES AND OTHER FINANCING USES -
All Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 846,166	\$ 113,149	\$ (9,732)	\$ (27,005)
Revenue Accruals	(239,947)	9,206	(11,825)	(6,700)
Expenditure Accruals	39,801	7,910	-	(399)
Encumbrances	(193,705)	(23,993)	-	(21,096)
Budget Basis	<u>\$ 452,315</u>	<u>\$ 106,272</u>	<u>\$ (21,557)</u>	<u>\$ (55,200)</u>

Net Income/Excess of Revenues Over/(Under) Expenses

**All Proprietary Fund Types and
Similar Trust Funds**

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	\$ (12,523)	\$ (6,319)	\$ 5,369
Revenue Accruals	(8,406)	300,785	-
Expense Accruals	13,229	(478,596)	-
Depreciation Expense	1,832	177,394	-
Encumbrances	-	(57,950)	-
Budget Basis	<u>\$ (5,868)</u>	<u>\$ (64,686)</u>	<u>\$ 5,396</u>

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 two 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 accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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, the 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Cash on Hand: During fiscal year 2000, the School District's investments were limited to STAR Ohio and repurchase agreements. During the fiscal year, all investments of the School District had a maturity of five years or less. At fiscal year end, the School District had \$135 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

At June 30, 2000, the School District's general fund had a balance of \$98,792 with Lake County Council of Governments Health Care Benefits Program, a shared risk pool (See Note 16). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB 3. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Deposits: At fiscal year end, the carrying amount of the School District's deposits (excluding change funds of \$135) was \$40,031 and the bank balance was \$304,494. Of the bank balance, \$100,000 was covered by federal depository insurance and \$204,494 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the financial institution's name, and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is unclassified investment since they are not evidenced by securities that exist in physical or book entry form.

		Category 3	Carrying Value		Fair Value
Repurchase agreements	\$	63,819	63,819	\$	63,819
STAR Ohio		<u>-</u>	\$ <u>2,230,368</u>		<u>2,230,368</u>
Total investments	\$	<u>63,819</u>	\$ <u>2,294,187</u>	\$	<u>2,294,187</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

		Cash and Cash Equivalents/Deposits		Investments
GASB Statement 9	\$	2,433,145	\$	-
Cash on Hand		(135)		-
Money held by health care program's fiscal agent		(98,792)		-
Investments:				
Repurchase agreements		(63,819)		63,819
STAR Ohio		<u>(2,230,368)</u>		<u>2,230,368</u>
GASB Statement 3	\$	<u>40,031</u>	\$	<u>2,294,187</u>

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of the true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true 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.

Tangible personal property taxes 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.

The full tax rate applied to real property for the fiscal year ended June 30, 2000 was \$69.52 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$31.84 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$35.63 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owner of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of costs.

The rate applied to tangible personal property for the fiscal year ended June 30, 2000 was \$69.52 per \$1,000 of assessed valuation.

The School District receives property taxes from both 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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 5 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$642,871 in the General Fund, \$26,473 in the Debt Service Fund, and \$22,796 in the Capital Projects Fund.

The assessed values upon which fiscal year 2000 taxes were collected are:

<i>GEAUGA COUNTY:</i>	1999	1998
Real Property -		
Residential/Agricultural	\$ 1,514,050	\$ 1,249,490
Tangible Personal Property -		
Personal	4,900	4,400
Public Utilities	129,960	128,210
Total Valuation	\$ 1,648,910	\$ 1,382,100
<i>LAKE COUNTY:</i>		
Real Property -		
Residential/Agricultural	\$ 187,804,900	\$ 181,320,980
Commercial/Industrial	15,839,200	16,193,140
Tangible Personal Property -		
Personal	3,542,931	2,694,766
Public Utilities	11,525,260	11,650,090
Total Valuation	\$ 218,712,291	\$ 211,858,976

NOTE 6 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Internal Service Funds:	
Regional Transportation	\$ <u>2,319,260</u>
Total Intergovernmental Receivables	\$ <u>2,319,260</u>

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 7 - FIXED ASSETS

A summary of the Proprietary Funds' fixed assets at June 30, 2000 follows:

	Enterprise Funds		Internal Service Funds
Buses	-	\$	2,269,104
Furniture and Equipment	\$ 83,895		1,080
Less Accumulated Depreciation	(76,955)		(1,212,506)
Net Fixed Assets	\$ 6,940	\$	1,057,678

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category		Balance on <u>6/30/99</u>		<u>Additions</u>		<u>Deletions</u>		Balance on <u>6/30/00</u>
Land and Improvements	\$	616,401	\$	11,850		-	\$	628,251
Buildings and Improvements		16,246,789		23,140		-		16,269,929
Furniture, Fixtures and Equipment, Vehicles		2,979,204		340,513	\$	(38,051)		3,281,666
Total General Fixed Assets	\$	19,842,394	\$	375,503	\$	(38,051)	\$	20,179,846

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 8 - RISK MANAGEMENT

The 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 2000, the District has entered into contracts with various insurance agencies for various insurance.

The following is a list of all insurance coverage of the District and the deductibles associated with each:

<u>Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Blanket Building and Contents	\$ 16,772,161	0
Extra Expense Coverage	1,000,000	0
Valuable Papers	25,000	0
Money and Securities	5,000	250
Boiler/Machinery – Blanket	30,000,000	1,000
Consequential Loss	50,000	500
Expediting Expenses/Hazardous Substance/Ammonia Contamination/ Water Damage	100,000	
Off Premises Service Interruption	500,000	12 hour
Ordinance or Law	1,000,000	0
Business Interruption & Extra Expense	Actual Loss	0
Liability	5,000,000	0
Liability	5,000,000	0
Business Auto – Liability	5,000,000	50
Uninsured Motorists – Comprehensive	2,000,000	
Medical - Collision/Liability/Bodily Injury/Medical	5,000	250
Inland Marine		
Instruments	57,215	0
Contractor’s Equipment	9,200/1,500	0
Transit	60,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the School District did not significantly reduce their limits of liability during the year.

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

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 8 - RISK MANAGEMENT (continued)

For fiscal year 2000, the School District participated in the Ohio Schools Council, an insurance purchasing pool (Note 15). The intent of the Council 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 Council. 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 Council. Each participant pays its workers' compensation premium to the State based on the rate for the Council rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Council. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Council. Participation in the Council is limited to school districts that can meet the Council's selection criteria. The firm of Integrated Consulting Services, Inc. provides administrative, cost control and actuarial services to the Council.

The School District has contracted with the Lake County Schools Council of Governments (LCSC) to provide employee health and medical benefits since 1995. The LCSC is a shared risk pool comprised of eleven Lake County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The LCSC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims.

The LCSC has stop loss coverage of 110% of expected claims. The District's share of the claims liability was provided by the third party administrator and is based on the requirements of Government Accounting Standards Board, Statement No. 10, which requires that a liability for unpaid claims cost, including estimates of cost related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal year, each participating member may be notified of the deficiency and can be billed for its share of the additional cost.

Changes in the District's share of the claims liability amount in 1999 and 2000 were:

	Balance at Beginning of Year	Current year Claims	Claim Payments	Balance at End of Year
1999	\$ 0	\$522,287	\$522,287	\$0
2000	\$ 0	\$607,524	\$551,168	\$56,356

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Kirtland Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit 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 State statute per 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 may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2000 5.5 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$186,078, \$201,000, and \$167,334, respectively; 44.1 percent has been contributed for fiscal year 2000 and 100 percent for fiscal year 1999 and 1998. \$104,022 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

B. State Teachers Retirement System

The Kirtland Local School District participates to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent, 6.0 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$527,196, \$513,492, and \$516,420, respectively, 83.1 percent has been contributed for fiscal year 2000 and 100 percent for fiscal year 1999 and 1998. \$88,884 represents the unpaid contributions for fiscal year 1999 and is recorded as a liability within the respective funds.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 10 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions were 8.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$301,255 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. For the year ended June 30, 1999 (the latest information available) net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients, and the balance in the fund was \$2,783 million.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll for the fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$99,393 during the 2000 fiscal year.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 5 to 25 days. Employees with less than one year of service earn a pro-rata vacation rate per month worked, not to exceed five days. The vacation leave liability is \$8,751 in the General Fund, and \$3,880 in the Internal Service Fund and \$18,690 in the General Long-Term Debt Account Group.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro-rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is up to 30 days of accumulated sick leave at the full daily rate, plus one fourth of the accumulated sick leave days in excess of 120 at the same rate. Maximum allowable days for certified employees is 60, and 50 days is the maximum for classified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees from Hartford Life Insurance through the Ohio Schools Council.

NOTE 12 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	<u>Principal Outstanding 6/30/99</u>		<u>Additions</u>		<u>Deductions</u>		<u>Principal Outstanding 6/30/00</u>
School Improvement 1989 8.431%	\$ 2,075,000		-		\$ (125,000)		\$ 1,950,000
Total Long-Term Bonds	<u>2,075,000</u>		-		<u>(125,000)</u>		<u>1,950,000</u>
Capital Lease Payable	-	\$	43,416		-	\$	43,416
Pension Obligation	68,289		62,169		(68,289)		62,169
Compensated Absences	<u>400,568</u>		<u>7,498</u>		<u>(27,524)</u>		<u>380,542</u>
Total General Long Term Obligations	<u>\$ 2,543,857</u>	\$	<u>113,083</u>	\$	<u>(220,813)</u>	\$	<u>2,436,127</u>

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 12 – LONG-TERM OBLIGATIONS (continued)

Long-term bonds will be paid from the debt service fund. Capital leases will be paid from the general fund. Compensated absences, workers' compensation and the pension obligation will be paid from the fund from which the employees' salaries are paid. The current year activity for compensated absences is netted for practical purposes.

The School District's overall legal debt margin was \$17,997,911 with an unvoted debt margin of \$220,401 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000 are as follows:

Fiscal Year June 30	Principal	Interest	Total
2001	\$ 135,000	\$ 140,409	\$ 275,409
2002	145,000	130,223	275,223
2003	160,000	119,090	279,090
2004	170,000	106,875	276,875
2005	185,000	93,563	278,563
2006-2010	<u>1,155,000</u>	<u>228,564</u>	<u>1,383,564</u>
Totals	<u>\$ 1,950,000</u>	<u>\$ 818,724</u>	<u>\$ 2,768,724</u>

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Kirtland Local School District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 214,978	-	\$ 214,978
Operating Expenses less			
Depreciation	260,501	-	260,501
Depreciation Expense	1,832	-	1,832
Operating Income (Loss)	(46,873)	-	(46,873)
Federally Donated Commodities	11,285	-	11,285
Other Non-operating Revenues	22,447	-	22,447
Other Non-operating Expenses	-	\$ (2,155)	(2,155)
Interest Income	2,773	-	2,773
Net Income (Loss)	(10,368)	(2,155)	(12,523)
Net Working Capital	40,810	-	40,810
Total Assets	70,360	-	70,360
Total Equity	43,053	-	43,053
Encumbrances Outstanding at June 30, 2000	-	-	-

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Lake/Geauga Computer Association - The School District is a participant in the Lake/Geauga Computer Association (LGCA). LGCA is an association of public school districts within the boundaries of Lake/Geauga and a small portion of Cuyahoga County. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of LGCA consists of the superintendent from each member school district and possess its own budgeting and taxing authority. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained from Loretta Petersen, who serves as Treasurer, at 8140 Auburn Street, Painesville, Ohio 44077.

Auburn Career Center - The Auburn Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards, which possess its own budgeting and taxing authority. The degree of control exercised by any school district is limited to its representation on the Board. To obtain financial information, write to the Auburn Career Center, Barbara Koenitzer, who serves as Treasurer, at 8140 Auburn Road, Concord Township, Ohio 44077.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (continued)

East Shore Regional Transportation System – The East Shore Regional Transportation System (ESRTA) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

East Shore Center - The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

Ohio Schools Council – The Ohio School’s Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participating fee. The Council’s Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2000, the School District paid \$149,577 to the Council. Financial information can be obtained by contact Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independent, Ohio 44131.

The School District participates in the Council’s electric purchase program which was implemented during fiscal 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (continued)

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at a reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

NOTE 15 - INSURANCE PURCHASING POOL

Ohio Schools Council Workers' Compensation Group Rate Plan - The School District participates in the Ohio Schools Council Workers' Compensation Group Rate Plan (Council), an insurance purchasing pool. The Council's business and affairs are conducted by a seven member Board of directors consisting of the Chairman, Vice-Chairman, the Past Chairman, the Treasurer of the Greater Cleveland School Superintendent's Association, and three Directors. The Executive Director of the OSC, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Council to cover the costs of administering the program.

NOTE 16 - SHARED RISK POOL

The School District participates in the Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a shared risk pool, comprised of eleven members. 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 from the HCBP's assembly.

NOTE 17 - RELATED ORGANIZATION

Kirtland Public Library - 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 possess 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 taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of 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 General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 18 - ACCOUNTABILITY AND COMPLIANCE

As of June 30, 2000, expenditures exceeded appropriations in the following funds, functions, and objects.

Fund	Function	Object	Excess Expenditures over Appropriation
General Fund	Support Services	Staff	\$ (15,210)
General Fund	Support Oriented	Supplemental Salary	(1,319)
Permanent	Operation	Maintenance of plant repairs	(2,631)
Improvement			
Permanent	Transportation	Equipment	(1,274)
Improvement			
Management	Support Services	Central	(1,412)
Information			
System			
Title I	Special Instruction	STRS retirement	(3,194)

NOTE 19 - REGIONAL TRANSPORTATION FUND

The Kirtland Local School District acts as fiscal agent for the Regional Transportation Fund which is comprised of sixteen school districts. The sixteen school districts submit the expenses incurred during the previous school year in July to the fiscal agent. These expenses are tabulated and submitted to the State Department of Education - Transportation Division. The state office processes the report and sends the state reimbursement to the fiscal agent.

The fiscal agent distributes the State share of the transportation cost to the participating districts who have incurred the expenses for operating the system. This occurs in March. At this time, the fiscal agent also bills the participating districts for the excess cost which have not been reimbursed by the state.

When all participating districts pay to the fiscal agent their share of the excess costs, the fiscal agent reimburses the districts which still have money due. This usually occurs in April.

FISCAL CYCLE

<u>Expense Incurred</u>	<u>State Reimbursement</u>	<u>Local Reimbursement</u>
1998-1999	March, 2000	April, 2000

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 19 - REGIONAL TRANSPORTATION FUND (continued)

A full year of expenses is paid each year. The accounting of these monies is based on the above cycle. The money which is reimbursed in April is not considered for encumbrance until December of the previous year, since these funds are not due to be collected until after December and the payments are not due until all funds are deposited with the fiscal agent.

NOTE 20 - SET-ASIDE REQUIREMENTS

The District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted sources must be held in cash at year-end and carried forward to be used for the same purpose in future years. Amounts are also to be set aside if the District's base amount used for the yearly set-aside calculation increases three percent (3%) or more from the prior year. This amount is included in the budget stabilization reserve.

The following information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Budget Reserve</u>
Set-aside balance as of June 30, 1999	-	-	\$ 110,246
Current year set-aside requirement	\$ 180,126	\$ 180,126	-
Qualifying expenditures	\$ <u>(251,419)</u>	\$ <u>(223,594)</u>	<u>-</u>
Totals	\$ <u>(71,293)</u>	\$ <u>(43,468)</u>	\$ <u>110,246</u>
Set-aside balance carried forward to FY 2001	<u>(71,293)</u>	<u>-</u>	\$ <u>110,246</u>
Amount restricted for budget stabilization			<u>110,246</u>
Total restricted assets			<u>110,246</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements in the future fiscal years. Although the District had qualifying expenditures during the year that reduced the set-aside amounts below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirements of future years.

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 22 - CAPITAL LEASES

The School District entered into capitalized leases for copiers. The leases meet the criteria of a capital leases as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$43,416. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long term obligations account group.

<u>Year</u>	<u>General Long Term Obligation</u>
2001	\$22,211
2002	13,987
2003	7,260
2004	4,717
2005	1,967
Total Minimum Lease Payments	50,142
Less: Amount Representing Interest	(6,726)
Present Value of Minimum Lease Payments	<u>\$43,416</u>

KIRTLAND LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2000

NOTE 23 – SUBSEQUENT EVENT - SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school district that is used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 Kirtland Local School District, Lake County, Ohio, (the District) as of and for the years ended June 30, 2001 and June 30, 2000, and have issued our report thereon dated November 2, 2001, wherein we noted the District adopted Governmental Accounting Standards Board Statements Nos. 33 and 36, as of and for the year ended June 30, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 2, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 2, 2001.

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

Jim Petro
Auditor of State

November 2, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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KIRTLAND LOCAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2001**