CITY OF KIRTLAND
LAKE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF KIRTLAND
LAKE COUNTY

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LAKE COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

City of Kirtland
Lake County
9301 Chillicothe Road
Kirtland, Ohio 44094

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities**,** each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Fire Emergency Levy Fund and Road Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

October 19, 2020

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The discussion and analysis of the City of Kirtland's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2018 are:

- In 2018, the City continued the comprehensive road rebuilding and resurfacing program which includes new improvements to State Route 306 and Wisner Road.

- During 2018, the City issued $3,305,000 in general obligation notes which were used to retire the 2017 $2,540,000 in general obligation notes and for the purchase of a safety system upgrade, service department vehicle and road improvement projects.

- The City complies with GASB 75, which established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this GASB statements in 2018 resulted in a significant change to the financial statements presentation of the City.

Using This Annual Basic Financial Statement Report (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Kirtland as a financial whole or an entire operating entity. The statements proceed to provide an increasingly detailed look at our specific financial conditions.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements look at the City's most significant funds with all other non-major funds presented in total in one column.

The City of Kirtland as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all (non-fiduciary) assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. The changes in net position are important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

In the *Statement of Net Position* and the *Statement of Activities*, the City is divided into two major activities:

Governmental Activities – Most of the City's programs and services are reported here including legislative and administrative duties, boards and commissions, judicial and legal services, finance, engineering, employee benefits and insurance, police and fire safety, public health, streets and drainage, planning and zoning, and parks and recreation.

Business-Type Activities – These services are provided on a fee basis to recover all of the expenses of the services provided to the citizens of the City. The City's only business-type activity is the waste water treatment facilities.

Reporting the City of Kirtland's Most Significant Funds

Fund Financial Statements

The presentation of the City's funds begins on page 20. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Kirtland, the major funds are the General fund, the Fire Emergency Levy and the Road Levy special revenue funds, the State Route 306 and State Route 6 capital projects fund and the Waste Water enterprise fund.

Government Funds

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

Proprietary Funds

The waste water enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole, only in more detail.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Kirtland as a Whole

The *Statement of Net Position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	$4,936,602	$4,636,564	$229,883	$253,195	$5,166,485	$4,889,759
Net Pension Asset	6,560	0	65	0	6,625	0
Capital Assets, Net	15,155,533	14,308,577	2,233,974	2,297,307	17,389,507	16,605,884
Total Assets	20,098,695	18,945,141	2,463,922	2,550,502	22,562,617	21,495,643
Deferred Outflows of Resources:						
Pension	1,055,014	1,863,277	4,712	10,795	1,059,726	1,874,072
OPEB	446,525	23,438	1,000	166	447,525	23,604
Total Deferred Outflows of Resources	1,501,539	1,886,715	5,712	10,961	1,507,251	1,897,676
Current and Other Liabilities	823,253	635,551	54,434	51,604	877,687	687,155
Long-Term Liabilities:						
Due Within One Year	202,638	214,947	19,396	19,195	222,034	234,142
Due in More than One Year:						
Pension	5,695,812	6,975,818	19,367	28,080	5,715,179	7,003,898
OPEB	4,741,826	4,300,519	12,663	11,676	4,754,489	4,312,195
Other Amounts	4,464,412	3,780,766	369,570	388,966	4,833,982	4,169,732
Total Liabilities	15,927,941	15,907,601	475,430	499,521	16,403,371	16,407,122
Deferred Inflows of Resources:						
Property Taxes	2,051,912	1,994,406	0	0	2,051,912	1,994,406
Pension	874,483	114,047	5,668	6,350	880,151	120,397
OPEB	331,891	0	943	0	332,834	0
Total Deferred Inflows of Resources	3,258,286	2,108,453	6,611	6,350	3,264,897	2,114,803
Net Investment in Capital Assets	10,528,310	10,400,162	1,845,008	1,889,146	12,373,318	12,289,308
Restricted:						
Capital Projects	204,891	10,188	0	0	204,891	10,188
Other Purposes	754,643	814,968	0	0	754,643	814,968
Unrestricted (Deficit)	(9,073,837)	(8,409,516)	142,585	166,446	(8,931,252)	(8,243,070)
Total Net Position	$2,414,007	$2,815,802	$1,987,593	$2,055,592	$4,401,600	$4,871,394

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension/OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from $7,092,883 to $2,815,802 for governmental activities and from $2,067,102 to $2,055,592 for business-type activities.

Net position may serve as a useful indicator of a government's financial position over time. In the case of the City of Kirtland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,414,007 at year-end for governmental activities. By far the largest portion of the City's net position is its investment in capital assets including land, buildings, machinery and equipment, roads, storm sewer lines, and sewer lines net of related debt. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Kirtland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The decrease in governmental net position was due to increases in liabilities including the issuance of new short term notes and net OPEB liability. Total assets increased mainly due to capital asset additions exceeding depreciation.

Table 2 shows the changes in net position for the years ended December 31, 2018, as compared to 2017.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	$615,208	$549,087	$108,838	$111,176	$724,046	$660,263
Operating Grants and Contributions	677,992	599,099	0	0	677,992	599,099
Capital Grants	1,275,273	661,920	0	0	1,275,273	661,920
Total Program Revenues	2,568,473	1,810,106	108,838	111,176	2,677,311	1,921,282
General Revenues						
Property Taxes	2,054,614	2,055,165	0	0	2,054,614	2,055,165
Municipal Income Taxes	3,835,254	4,007,444	0	0	3,835,254	4,007,444
Grants and Entitlements	326,888	406,554	0	0	326,888	406,554
Investment Earnings	11,506	6,012	0	0	11,506	6,012
Miscellaneous	163,711	110,692	0	0	163,711	110,692
Total General Revenues	6,391,973	6,585,867	0	0	6,391,973	6,585,867
Total Revenues	$8,960,446	$8,395,973	$108,838	$111,176	$9,069,284	$8,507,149

(continued)

Table 2
Changes in Net Position
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Expenses						
General Government	$2,149,557	$2,054,521	$0	$0	$2,149,557	$2,054,521
Security of Persons and Property	3,588,376	3,465,838	0	0	3,588,376	3,465,838
Transportation	2,994,181	2,923,791	0	0	2,994,181	2,923,791
Public Health and Welfare	92,514	91,992	0	0	92,514	91,992
Community Environment	83,790	120,223	0	0	83,790	120,223
Leisure Time Activities	348,565	448,834	0	0	348,565	448,834
Interest and Fiscal Charges	105,258	78,729	0	0	105,258	78,729
Waste Water	0	0	176,837	177,714	176,837	177,714
Total Program Expenses	9,362,241	9,183,928	176,837	177,714	9,539,078	9,361,642
Change in Net Position	(401,795)	(787,955)	(67,999)	(66,538)	(469,794)	(854,493)
Net Position Beginning of Year	2,815,802	N/A	2,055,592	N/A	4,871,394	N/A
Net Position End of Year	$2,414,007	$2,815,802	$1,987,593	$2,055,592	$4,401,600	$4,871,394

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $23,604 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $358,336. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	$9,362,241	$176,837	$9,539,078
OPEB expense under GASB 75	(357,240)	(1,096)	(358,336)
2018 contractually required contribution	7,129	0	7,129
Adjusted 2018 program expenses	9,012,130	175,741	9,187,871
Total 2017 program expenses under GASB 45	9,183,928	177,714	9,361,642
Decrease in program expenses not related to OPEB	($171,798)	($1,973)	($173,771)

The City is very dependent on property taxes and income taxes. Property tax revenues were relatively unchanged from the previous year. The largest taxpayers of income taxes are employees of public facilities such as school and government agencies. This allows for consistency and stability of collections of income taxes.

Security of persons and property include the police and fire departments, accounted for program expenses of $3,588,376 which is 38.33 percent of total governmental expenses. Our police and fire departments continue to improve their equipment to better serve our community and at the same time provide extra safety for our officers. We continue to strive to provide better police and fire service at a lower cost per man-hour. The City has been recognized as one of the safest cities in Northeast Ohio by Cleveland Magazine for six years in a row.

Governmental Activities

Several revenue sources fund the City's governmental activities with City income tax being the largest contribution. The income tax rate of 1 percent was established by City Ordinance No. 71-0-11, passed December 20, 1971. On November 6, 2001, the electors approved an increase in the income tax rate to 2 percent from 1 percent and a change in the tax credit for residents having income taxable in another community. In 2018, the revenue collected from income taxes was designated for the City's general fund. General revenues from property taxes and charges for services are also significant revenue generators. The City monitors its sources of revenues very closely for any changes or fluctuations.

The City's income taxes have provided the City the funds to maintain streets, make infrastructure improvements and strengthen safety forces. The City of Kirtland continues to be very aggressive in collecting delinquent income tax. The City's strong economic growth and strong base of taxpayers provide the City with an income tax base that can sustain the loss of any major tax paying entity and still be able to meet the financial needs of the City.

Total revenues for governmental activities increased in 2018 due to increased monies received from capital grants. Revenue consists primarily of property taxes, income taxes and intergovernmental revenues received through operating and capital grants or contributions as well as unrestricted grants and entitlements. The remaining revenues represent charges for services, interest and miscellaneous receipts. Charges for services include non-resident ambulance billing, cemetery fees and recreation fees.

Total governmental activities program expenses increased in 2018 compared to 2017 due to an increase in security of persons and property due to the purchase of a new safety system and increased interest and fiscal charges related to short term notes. This increase was offset by the City's concerted effort to keep expenses low while still providing the services the residents have come to expect. General government, security of persons and property and transportation expenses are the three main sources of expenses. These activities include police protection, fire protection, road maintenance, planning/zoning, mayoral office and finance office.

Table 3 presents a summary for governmental activities of the total cost of services and the net cost of providing these services. The statement of activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
General Government	$2,149,557	$2,054,521	($1,982,652)	($1,934,610)
Security of Persons and Property	3,588,376	3,465,838	(3,108,720)	(2,940,344)
Transportation	2,994,181	2,923,791	(1,193,097)	(1,845,430)
Public Health and Welfare	92,514	91,992	(85,171)	(86,509)
Community Environment	83,790	120,223	(78,237)	(113,615)
Leisure Time Activities	348,565	448,834	(240,633)	(374,585)
Interest and Fiscal Charges	105,258	78,729	(105,258)	(78,729)
Total	$9,362,241	$9,183,928	($6,793,768)	($7,373,822)

The negative amounts indicated in Table 3 should not be construed as something bad; they are merely indicative of whether a particular function of government relies on general revenues for financing or is a net contributor of resources to the general government.

Security of persons and property expenses account for approximately 38.33 percent of total 2018 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. Other significant expenses include transportation expenses which make up approximately 31.98 percent of total governmental expenses. The majority of transportation expenses include salaries, benefits and infrastructure depreciation.

The dependence on general revenues for governmental activities is apparent. The majority of governmental activities are supported through taxes and other general revenues.

Business-Type Activities

The charges for services from waste water utility services received were insufficient to cover the total expenses in 2018. Currently, the City operates three waste water treatment plants and the underground lines in a fourth service area known as Templeview, which are combined for reporting purposes. Services include monitoring and testing the discharge. The City closely monitors the cost of these services and will adjust the operating and/or capital improvement charges to pay for future development and related costs, as needed.

The City's Funds

A review of the City's governmental funds provides information on near-term flows and balances of expendable resources and serves as a useful measure of the City's net resources. Governmental fund information begins with the balance sheet and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the General fund, the Fire Emergency Levy and Road Levy special revenue funds and the State Route 306 and State Route 6 capital projects fund. The increase in general fund revenues was mainly due to increases in charges for services, rentals and miscellaneous revenue. An increase in revenue and a decrease in short term notes payable contributed to an increase in fund balance.

General fund expenditures remained flat due to decreases to security of persons and property costs offset by an increase in leisure time activities costs. The Fire Emergency Levy special revenue fund balance increased slightly due to increased property tax revenue. The Road Levy special revenue fund had a decrease in fund balance due to increased transportation expenditures. The State Route 306 and State Route 6 capital projects fund had a decrease in fund balance due to an increase in transportation expenditures for the State Route improvement projects.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2018, the City amended its general fund budget from the original certified revenues. All capital projects and requests for capital type purchases in excess of $25,000 must be reviewed and approved individually by the Mayor, after which they are sent to the formal Council meeting for ordinance enactment on the purchase. The legal level of budgetary control has been established by Council at the personal services, contractual services/supplies and capital outlay object levels for each function for all funds. The Finance Director, with approval from the Mayor or City Council, has been authorized to allocate appropriations to more detailed function and object levels within each fund.

The general fund supports many major activities such as the police department, fire department, building and planning departments as well as the legislative and most executive activities. Some major capital projects are funded with general fund dollars. By ordinance, these funds are transferred from the general fund to capital project funds where the revenues and expenditures for the capital improvement are tracked and monitored.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows 2018 balances of capital assets as compared to 2017.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$1,364,602	$1,364,602	$124,417	$124,417	$1,489,019	$1,489,019
Buildings, Structures						
and Improvements	2,569,404	2,720,736	22,289	26,270	2,591,693	2,747,006
Machinery and Equipment	2,045,425	1,907,559	8,849	10,663	2,054,274	1,918,222
Infrastructure						
Roads	8,837,979	7,936,258	0	0	8,837,979	7,936,258
Storm Sewers	338,123	379,422	0	0	338,123	379,422
Sewer Lines	0	0	2,078,419	2,135,957	2,078,419	2,135,957
Total	$15,155,533	$14,308,577	$2,233,974	$2,297,307	$17,389,507	$16,605,884

Capital assets increased due primarily to road additions related to the State Route 306 project.

The City continues to improve the safety and traffic flow on its roads. This has been accomplished by the commitment to continue road resurfacing as well as road improvements to State Route 306 slope stabilization, Eagle road drainage and resurfacing, and Raccoon Hill culvert improvement. Other capital asset additions include building improvements to the recreation center, vehicles and the purchase of various machinery and equipment.

City Council is committed along with the Administration to maintain its capital assets at a condition acceptable to provide the best possible service for all residents. The City continues to monitor the requirements of its public buildings and lands. Currently the existing buildings and land are adequate to provide for the current services being offered.

See Note 11 for additional information on the City's capital assets.

Debt

Table 5 summarizes bonds, loans, capital leases and notes outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$1,038,000	$1,155,000	$275,400	$280,400	$1,313,400	$1,435,400
Capital Leases	142,685	119,229	0	0	142,685	119,229
OPWC Loans	85,954	94,186	113,566	127,761	199,520	221,947
Long-Term Notes	3,015,000	2,305,000	0	0	3,015,000	2,305,000
Short-Term Notes	290,000	235,000	0	0	290,000	235,000
Total	$4,571,639	$3,908,415	$388,966	$408,161	$4,960,605	$4,316,576

In 2018, the City issued $3,305,000 in general obligation notes which were used to retire the 2017 $2,540,000 in general obligation notes and for road repairs, fire and road equipment, road resurfacing and slope stabilization projects. See Notes 17 and 18 for additional information on the City's outstanding debt obligations.

Current Financial Related Activities

The City of Kirtland is located in Lake County in the northeast section of Ohio, approximately 22 miles east of the City of Cleveland, and about 5 miles inland from Lake Erie. The City, with a population of about 6,700, is about 17 square miles and consists predominately of residential homes. The City is bounded on three sides by the East and West Branches of the Chagrin River, which is designated as one of Ohio's "scenic rivers." Surrounded by Geauga and Cuyahoga Counties, there is an estimated population of 2,000,000 residing within a 50 mile radius. Due to the location and the beauty of the City, there is a consistent tax basis of residential, business, and educational institutions. The City is also working on commercial development in the historical district which installed a sewer system that allows for more diverse development.

For the past several years the City has been awarded AAA's Platinum Award given to communities that demonstrate outstanding success in addressing local traffic safety issues. These statistics illustrate the commitment of our safety forces, engineering department, public works department and our residents to work together to maintain a community where people are proud to live and work.

The Finance Director, Mayor and City Council work extremely hard managing our debt level. The Mayor annually presents an updated five-year capital budget as part of the annual budget which anticipates future capital spending requirements; this planning allows the City to pay cash for many of the facility improvements and acquisitions. The City lives within its means and plans ahead knowing that responsible leadership commands that we observe the budget and expend less than the revenues we receive.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information contact Director of Finance, Mary Kovalchik, City of Kirtland, 9301 Chillicothe Road, Kirtland, Ohio 44094, telephone 440-256-3332, or at the website at www.kirtlandohio.com.

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City of Kirtland, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$952,440	$229,883	$1,182,323
Materials and Supplies Inventory	82,662	0	82,662
Accounts Receivable	62,447	0	62,447
Intergovernmental Receivable	509,075	0	509,075
Prepaid Items	45,295	0	45,295
Municipal Income Taxes Receivable	1,185,207	0	1,185,207
Property Taxes Receivable	2,099,476	0	2,099,476
Net Pension Asset	6,560	65	6,625
Non-Depreciable Capital Assets	1,364,602	124,417	1,489,019
Depreciable Capital Assets, Net	13,790,931	2,109,557	15,900,488
Total Assets	20,098,695	2,463,922	22,562,617
Deferred Outflows of Resources			
Pension	1,055,014	4,712	1,059,726
OPEB	446,525	1,000	447,525
Total Deferred Outflows of Resources	1,501,539	5,712	1,507,251
Liabilities			
Accounts Payable	61,723	2,690	64,413
Contracts Payable	55,584	0	55,584
Accrued Wages and Benefits	180,573	495	181,068
Vacation Benefits Payable	106,794	0	106,794
Intergovernmental Payable	76,713	44,220	120,933
Accrued Interest Payable	51,866	7,029	58,895
Notes Payable	290,000	0	290,000
Long-Term Liabilities:			
Due Within One Year	202,638	19,396	222,034
Due In More Than One Year			
Net Pension Liability (See Note 13)	5,695,812	19,367	5,715,179
Net OPEB Liability (See Note 14)	4,741,826	12,663	4,754,489
Other Amounts Due In More Than One Year	4,464,412	369,570	4,833,982
Total Liabilities	15,927,941	475,430	16,403,371
Deferred Inflows of Resources			
Property Taxes	2,051,912	0	2,051,912
Pension	874,483	5,668	880,151
OPEB	331,891	943	332,834
Total Deferred Inflows of Resources	3,258,286	6,611	3,264,897
Net Position			
Net Investment in Capital Assets	10,528,310	1,845,008	12,373,318
Restricted for:			
Capital Projects	204,891	0	204,891
Other Purposes	754,643	0	754,643
Unrestricted (Deficit)	(9,073,837)	142,585	(8,931,252)
Total Net Position	$2,414,007	$1,987,593	$4,401,600

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
Governmental Activities				
General Government	$2,149,557	$166,905	$0	$0
Security of Persons and Property	3,588,376	337,786	141,870	0
Transportation	2,994,181	79,531	446,280	1,275,273
Public Health and Welfare	92,514	7,343	0	0
Community Environment	83,790	5,553	0	0
Leisure Time Activities	348,565	18,090	89,842	0
Interest and Fiscal Charges	105,258	0	0	0
Total Governmental Activities	9,362,241	615,208	677,992	1,275,273
Business-Type Activities				
Waste Water	176,837	108,838	0	0
Total	$9,539,078	$724,046	$677,992	$1,275,273

General Revenues
Property Taxes Levied for:
General Purposes
Fire Operating
Fire Emergency
Road Levy
Police Operating
Police Pension
Senior Citizen Recreation
Municipal Income Taxes
Levied for General Purposes
Grants and Entitlements
not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year
- Restated (See Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

Net Revenue (Expense) and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
($1,982,652)	$0	($1,982,652)
(3,108,720)	0	(3,108,720)
(1,193,097)	0	(1,193,097)
(85,171)	0	(85,171)
(78,237)	0	(78,237)
(240,633)	0	(240,633)
(105,258)	0	(105,258)
(6,793,768)	0	(6,793,768)
0	(67,999)	(67,999)
(6,793,768)	(67,999)	(6,861,767)
576,083	0	576,083
125,563	0	125,563
589,701	0	589,701
473,780	0	473,780
95,666	0	95,666
63,976	0	63,976
129,845	0	129,845
3,835,254	0	3,835,254
326,888	0	326,888
11,506	0	11,506
163,711	0	163,711
6,391,973	0	6,391,973
(401,795)	(67,999)	(469,794)
2,815,802	2,055,592	4,871,394
$2,414,007	$1,987,593	$4,401,600

City of Kirtland, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	Fire Emergency Levy	Road Levy	State Route 306 and State Route 6	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$339,857	$39,036	$59,683	$0	$513,864	$952,440
Materials and Supplies Inventory	82,662	0	0	0	0	82,662
Accounts Receivable	40,645	0	0	0	21,802	62,447
Interfund Receivable	84,187	0	0	0	0	84,187
Intergovernmental Receivable	160,433	43,115	4,512	48,524	252,491	509,075
Prepaid Items	45,295	0	0	0	0	45,295
Municipal Income Taxes Receivable	1,185,207	0	0	0	0	1,185,207
Property Taxes Receivable	620,227	588,674	471,063	0	419,512	2,099,476
Total Assets	$2,558,513	$670,825	$535,258	$48,524	$1,207,669	$5,020,789
Liabilities						
Accounts Payable	$51,897	$0	$2,374	$0	$7,452	$61,723
Contracts Payable	55,584	0	0	0	0	55,584
Accrued Wages and Benefits	180,573	0	0	0	0	180,573
Interfund Payable	0	0	0	66,581	17,606	84,187
Intergovernmental Payable	76,482	0	0	0	231	76,713
Accrued Interest Payable	1,875	0	0	1,875	600	4,350
Notes Payable	125,000	0	0	125,000	40,000	290,000
Total Liabilities	491,411	0	2,374	193,456	65,889	753,130
Deferred Inflows of Resources						
Property Taxes	606,472	574,546	460,972	0	409,922	2,051,912
Unavailable Revenue	1,094,180	57,243	14,603	0	225,503	1,391,529
Total Deferred Inflows of Resources	1,700,652	631,789	475,575	0	635,425	3,443,441
Fund Balances						
Nonspendable	127,957	0	0	0	0	127,957
Restricted	0	39,036	57,309	0	535,840	632,185
Committed	26,000	0	0	0	0	26,000
Unassigned (Deficit)	212,493	0	0	(144,932)	(29,485)	38,076
Total Fund Balances (Deficit)	366,450	39,036	57,309	(144,932)	506,355	824,218
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$2,558,513	$670,825	$535,258	$48,524	$1,207,669	$5,020,789

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances		$824,218
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,155,533
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	47,564	
Municipal Income Taxes	917,449	
Intergovernmental	399,118	
Rentals	27,398	
Total		1,391,529
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		(47,516)
Vacation benefits payable is a contractually required benefit not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(106,794)
Long-term liabilities are not due and payable in the current period therefore are not reported in the funds:		
General Obligation Bonds	(1,038,000)	
OPWC Loans	(85,954)	
General Obligation Notes	(3,015,000)	
Compensated Absences	(385,411)	
Capital Leases	(142,685)	
Total		(4,667,050)
The net pension asset/liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Net Pension Asset	6,560	
Deferred Outflows - Pension	1,055,014	
Net Pension Liability	(5,695,812)	
Deferred Inflows - Pension	(874,483)	
Deferred Outflows - OPEB	446,525	
Net OPEB Liability	(4,741,826)	
Deferred Inflows - OPEB	(331,891)	
Total		(10,135,913)
Net Position of Governmental Activities		$2,414,007

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Fire Emergency Levy	Road Levy	State Route 306 and State Route 6	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$583,106	$596,944	$478,954	$0	$423,355	$2,082,359
Municipal Income Taxes	3,711,670	0	0	0	0	3,711,670
Charges for Services	111,630	0	0	0	182,234	293,864
Licenses and Permits	25,199	0	0	0	0	25,199
Fines and Forfeitures	50,354	0	0	0	770	51,124
Intergovernmental	371,006	86,230	9,023	1,253,136	584,640	2,304,035
Rentals	248,665	0	0	0	0	248,665
Interest	11,480	0	0	0	26	11,506
Miscellaneous	163,711	0	0	0	0	163,711
Total Revenues	5,276,821	683,174	487,977	1,253,136	1,191,025	8,892,133
Expenditures						
Current:						
General Government	2,092,899	0	0	0	0	2,092,899
Security of Persons and Property	1,922,293	675,000	0	0	335,000	2,932,293
Transportation	965,061	0	629,791	0	425,000	2,019,852
Public Health and Welfare	92,514	0	0	0	0	92,514
Community Environment	76,953	0	0	0	0	76,953
Leisure Time Activities	228,773	0	0	0	217,507	446,280
Capital Outlay	0	0	0	1,716,056	27,858	1,743,914
Debt Service:						
Principal Retirement	23,621	0	56,917	0	125,232	205,770
Refunding Notes Redeemed	1,835,000	0	0	345,000	125,000	2,305,000
Interest and Fiscal Charges	42,133	0	2,178	9,275	29,497	83,083
Total Expenditures	7,279,247	675,000	688,886	2,070,331	1,285,094	11,998,558
Excess of Revenues Over (Under) Expenditures	(2,002,426)	8,174	(200,909)	(817,195)	(94,069)	(3,106,425)
Other Financing Sources (Uses)						
Inception of Capital Lease	0	0	103,994	0	0	103,994
General Obligation Notes Issued	300,000	0	0	500,000	200,000	1,000,000
General Obligation Refunding Notes Issued	1,710,000	0	0	220,000	85,000	2,015,000
Transfers In	0	0	0	0	151,329	151,329
Transfers Out	0	0	0	0	(151,329)	(151,329)
Total Other Financing Sources (Uses)	2,010,000	0	103,994	720,000	285,000	3,118,994
Net Change in Fund Balances	7,574	8,174	(96,915)	(97,195)	190,931	12,569
Fund Balances (Deficit) Beginning of Year	358,876	30,862	154,224	(47,737)	315,424	811,649
Fund Balances (Deficit) End of Year	$366,450	$39,036	$57,309	($144,932)	$506,355	$824,218

See accompanying notes to the basic financial statements

City of Kirtland, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds		$12,569
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	2,411,408	
Current Year Depreciation	(1,564,452)	
Total		846,956
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(27,745)	
Municipal Income Taxes	123,584	
Intergovernmental	(23,882)	
Rentals	(3,644)	
Total		68,313
Accrued interest is reported in the statement of activities and does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds:		
Accrued Interest		(22,175)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated Absences	(63,113)	
Vacation Benefits	(3,877)	
Total		(66,990)
Repayment of long term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,510,770
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position:		
Inception of Capital Lease	(103,994)	
General Obligation Notes Issued	(3,015,000)	
Total		(3,118,994)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows.		
Pension	539,907	
OPEB	7,129	
Total		547,036
Except for amounts reported as deferred inflows/outflows, changes in the net pension and net OPEB liability are reported as pension expense in the statement of activities.		
Pension	(822,040)	
OPEB	(357,240)	
Total		(1,179,280)
Change in Net Position of Governmental Activities		($401,795)

See accompanying notes to the basic financial statements

City of Kirtland, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues				
Property Taxes	$637,610	$637,610	$583,106	($54,504)
Municipal Income Taxes	3,738,885	3,817,188	3,770,032	(47,156)
Charges for Services	110,019	112,324	110,936	(1,388)
Licenses and Permits	24,991	25,514	25,199	(315)
Fines and Forfeitures	48,965	49,991	49,373	(618)
Intergovernmental	443,762	453,056	447,459	(5,597)
Rentals	239,674	244,694	241,671	(3,023)
Interest	11,385	11,624	11,480	(144)
Miscellaneous	157,209	160,499	158,517	(1,982)
Total Revenues	5,412,500	5,512,500	5,397,773	(114,727)
Expenditures				
Current:				
General Government	2,157,077	2,100,614	2,100,614	0
Security of Persons and Property	2,025,915	2,028,424	1,971,361	57,063
Transportation	1,141,111	1,147,085	1,045,896	101,189
Public Health and Welfare	100,450	92,514	92,514	0
Community Environment	86,853	76,348	76,348	0
Leisure Time Activities	146,647	231,068	231,041	27
Total Expenditures	5,658,053	5,676,053	5,517,774	158,279
Excess of Revenues Over (Under) Expenditures	(245,553)	(163,553)	(120,001)	43,552
Other Financing Sources (Uses)				
Transfers In	300,000	300,000	300,000	0
Transfers Out	(271,477)	(321,477)	(271,477)	50,000
Total Other Financing Sources (Uses)	28,523	(21,477)	28,523	50,000
Net Change in Fund Balance	(217,030)	(185,030)	(91,478)	93,552
Fund Balance Beginning of Year	346,758	346,758	346,758	0
Prior Year Encumbrances Appropriated	36,304	36,304	36,304	0
Fund Balance End of Year	$166,032	$198,032	$291,584	$93,552

See accompanying notes to the basic financial statements

City of Kirtland, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Emergency Levy Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)
Revenues				
Property Taxes	$570,501	$570,501	$596,944	$26,443
Intergovernmental	82,410	82,410	86,230	3,820
Total Revenues	652,911	652,911	683,174	30,263
Expenditures				
Current:				
Security of Persons and Property	675,000	675,000	675,000	0
Net Change in Fund Balance	(22,089)	(22,089)	8,174	30,263
Fund Balance Beginning of Year	30,862	30,862	30,862	0
Fund Balance End of Year	$8,773	$8,773	$39,036	$30,263

See accompanying notes to the basic financial statements

City of Kirtland, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Road Levy Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)
Revenues				
Property Taxes	$457,742	$457,742	$478,954	$21,212
Intergovernmental	8,623	8,623	9,023	400
Total Revenues	466,365	466,365	487,977	21,612
Expenditures				
Current:				
Transportation	610,000	610,000	588,069	21,931
Net Change in Fund Balance	(143,635)	(143,635)	(100,092)	43,543
Fund Balance Beginning of Year	154,224	154,224	154,224	0
Fund Balance End of Year	$10,589	$10,589	$54,132	$43,543

See accompanying notes to the basic financial statements

City of Kirtland, Ohio

Statement of Fund Net Position
Enterprise Fund
December 31, 2018

	Waste Water
Assets	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$229,883
Noncurrent Assets	
Net Pension Asset	65
Non-Depreciable Capital Assets	124,417
Depreciable Capital Assets, Net	2,109,557
Total Noncurrent Assets	2,234,039
Total Assets	2,463,922
Deferred Outflows of Resources	
Pension	4,712
OPEB	1,000
Total Deferred Outflows of Resources	5,712
Liabilities	
Current Liabilities	
Accounts Payable	2,690
Accrued Wages and Benefits	495
Intergovernmental Payable	44,220
Accrued Interest Payable	7,029
Bonds Payable	5,200
OPWC Loans Payable	14,196
Total Current Liabilities	73,830
Long-Term Liabilities (net of current portion)	
Bonds Payable	270,200
OPWC Loans Payable	99,370
Net Pension Liability	19,367
Net OPEB Liability	12,663
Total Long-Term Liabilities	401,600
Total Liabilities	475,430
Deferred Inflows of Resources	
Pension	5,668
OPEB	943
Total Inflows Outflows of Resources	6,611
Net Position	
Net Investment in Capital Assets	1,845,008
Unrestricted	142,585
Total Net Position	$1,987,593

See accompanying notes to the basic financial statements

City of Kirtland, Ohio

Statement of Revenues, Expenses
and Changes in Fund Net Position
Enterprise Fund
For the Year Ended December 31, 2018

	Waste Water
Operating Revenues	
Charges for Services	$108,838
Operating Expenses	
Personal Services	16,922
Services and Supplies	84,441
Depreciation	63,333
Total Operating Expenses	164,696
Operating Income (Loss)	(55,858)
Non Operating Revenues (Expenses)	
Interest and Fiscal Charges	(12,141)
Change in Net Position	(67,999)
Net Position Beginning of Year - Restated (See Note 3)	2,055,592
Net Position End of Year	$1,987,593

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2018

	Waste Water
Increases (Decreases) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	$108,838
Cash Payments to Suppliers for Services and Supplies	(81,979)
Cash Payments for Employee Services and Benefits	(18,708)
Net Cash Provided by (Used for) Operating Activities	8,151
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bonds	(5,000)
Interest Paid on Bonds	(12,268)
Principal Paid on OPWC Loans	(14,195)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(31,463)
Net Increase (Decrease) in Cash and Cash Equivalents	(23,312)
Cash and Cash Equivalents Beginning of Year	253,195
Cash and Cash Equivalents End of Year	$229,883
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	($55,858)
Adjustments:	
Depreciation	63,333
(Increase) Decrease in Assets and Deferred Outflows:	
Net Pension Asset	(11)
Deferred Outflows - Pension	3,524
Deferred Outflows - OPEB	644
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	1,344
Accrued Wages and Benefits	495
Intergovernmental Payable	1,118
Net Pension Liability	421
Net OPEB Liability	688
Deferred Inflows - Pension	(7,311)
Deferred Inflows - OPEB	(236)
Total Adjustments	64,009
Net Cash Provided by (Used for) Operating Activities	$8,151

See accountant's compilation report
See accompanying notes to the basic financial statements

City of Kirtland, Ohio

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2018

	Private Purpose Trust	
	Cemetery	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$2,386	$403,247
Liabilities		
Deposits Held and Due to Others	0	$403,247
Net Position		
Held in Trust for Perpetual Care	$2,386	

See accompanying notes to the basic financial statements

City of Kirtland, Ohio

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Fund

For the Year Ended December 31, 2018

	Cemetery
Additions	$0
Deductions	0
Change in Net Position	0
Net Position Beginning of Year	2,386
Net Position End of Year	$2,386

See accompanying notes to the basic financial statements

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Note 1 – Description of the City and Reporting Entity

Description of the City

The City of Kirtland was incorporated under the laws of the State of Ohio. The City operates under its own Charter adopted in 1971. The Charter, as amended, provides for a Council-Mayor form of government. The Mayor, elected by the voters for a four-year term, is the chief executive and administrative officer of the City and presides at Council meetings. Legislative authority is vested in a seven member council with all seven members elected at large for a term of four years. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes.

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 City consists of all funds, agencies, departments, boards and agencies that are not legally separate from the City. For the City of Kirtland this includes the departments and agencies that provide the following services: police and fire protection, emergency medical, parks, recreation, a cemetery, street maintenance and waste water services.

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

The City participates in two jointly governed organization, the Northeast Ohio Public Energy Council (NOPEC) and Regional Income Tax Agency. These organizations are presented in Note 21 of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Kirtland 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 more significant of the City’s accounting policies are described as follows.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

Fund Accounting

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

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

> ***General Fund*** This fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the City Charter and/or general laws of Ohio.
>
> ***Fire Emergency Levy Fund*** This fund accounts for and reports property tax revenues restricted for the payment of salaries and related expenditures and capital purposes of the fire department.
>
> ***Road Levy Fund*** This fund accounts for and reports property tax revenues restricted for the maintenance and repairs of City streets.
>
> ***State Route 306 and State Route 6 Fund*** This fund accounts for and reports grant monies and note issuances restricted for various capital improvements to State Route 306 and State Route 6.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service funds. The City has no internal service funds.

Enterprise Fund The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

Waste Water Fund This fund accounts for revenues generated from charges for waste water services provided to the residential and commercial users of the City and for the maintenance and construction of sewer lines.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City utilizes the private purpose trust and the agency fund types. The private purpose trust accounts for donations for the perpetual care of selected plots in the cemetery. The agency funds account for deposits from various contractors, developers or individuals to ensure compliance with various City ordinances.

Measurement Focus

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

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fees, fines and forfeitures, interest, grants and entitlements.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, rentals, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 21.

Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services, services and supplies and capital outlay object levels within each department and fund. Any budgetary modifications at this level may only be made by ordinance of Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the final amended certificate of estimated resources in effect at the time final appropriations were enacted by Council.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2018, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transactions to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2018 amounted to $11,480, which includes $9,017 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $2,500 with the exception of land as land was included regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings, Structures and Improvements	10 - 50 Years
Machinery and Equipment	5 - 20 Years
Infrastructure	15 - 50 Years

The City's infrastructure consists of roadways, sanitary sewers and storm sewers and includes infrastructure acquired prior to December 31, 1980.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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 employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City’s policy limits the accrual of vacation time to one year from the employee’s anniversary date, the outstanding liability is recorded as “vacation benefits payable” on the statement of net position rather than as a long-term liability.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at year end, taking into consideration any limits specified in the City’s termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of current service with the City.

Accrued Liabilities and Long-Term Obligations

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

Pensions/Other Postemployment Benefits (OPEB)

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions on enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for law enforcement, drug enforcement and education, police pension payments, state highway maintenance and recreation activities.

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

Fund Balance

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

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

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinances or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinances or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State statute.

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for waste water system. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definition of operating are reported as nonoperating.

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

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.

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

Change in Accounting Principles

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus* 2017, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business-Type Activities
Net Position December 31, 2017	$7,092,883	$2,067,102
Adjustments:		
Net OPEB Liability	(4,300,519)	(11,676)
Deferred Outflow - Payments Subsequent to Measurement Date	23,438	166
Restated Net Position December 31, 2017	$2,815,802	$2,055,592

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Accountability and Compliance

Accountability

The following funds had deficit fund balances as of December 31, 2018:

Capital Projects Funds:	
Old Town Sewer	$19,335
Sperry Road	5,075
Tibbetts Road Resurfacing	5,075
SR 306 and SR 6 - Various Projects	144,932

The deficit in the Old Town Sewer capital project fund is due to costs incurred that were not yet reimbursed. Once the intergovernmental revenue for the project is receipted, the deficit will be eliminated. The deficit in the Sperry Road, Tibbetts Road Resurfacing, and State Route 306 and 6 capital projects funds are the results of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or the bonds are issued, the deficit will be eliminated. The general fund is liable for any deficits in these capital projects funds and provides transfers when cash is required, rather than when accruals occur.

Compliance

Ohio Revised Code Section 5705.10 provides that money paid into a fund must be used only for the purposes for which such fund has been established.

The following funds in total had negative cash fund balances as of December 31, 2018:

Fund	Amount
Major Governmental Fund	
State Route 306 and State Route 6	$66,581
Other Governmental Fund	
Old Town Sewer	17,606

A fund with a negative cash fund balance indicates that money from another fund was used to pay the expenditures of that fund.

Note 5 – Fund Balances

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

Fund Balances	General	Fire Emergency Levy	Road Levy	State Route 306 and State Route 6	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaids	$45,295	$0	$0	$0	$0	$45,295
Inventory	82,662	0	0	0	0	82,662
Total Nonspendable	127,957	0	0	0	0	127,957
Restricted for:						
Police Department Operations	0	0	0	0	7,313	7,313
Police Pension	0	0	0	0	6,198	6,198
Fire Department Operations	0	39,036	0	0	0	39,036
Road Levy	0	0	57,309	0	0	57,309
Senior Citizens	0	0	0	0	174,646	174,646
Street and Highway Construction, Maintenance and Repair	0	0	0	0	41,420	41,420
Emergency Medical Services	0	0	0	0	9,218	9,218
Capital Projects	0	0	0	0	204,891	204,891
Other Purposes	0	0	0	0	92,154	92,154
Total Restricted	0	39,036	57,309	0	535,840	632,185
Committed to:						
Security of Persons and Property	26,000	0	0	0	0	26,000
Unassigned (Deficit)	212,493	0	0	(144,932)	(29,485)	38,076
Total Fund Balances (Deficit)	$366,450	$39,036	$57,309	($144,932)	$506,355	$824,218

Note 6 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the general and the major special revenue 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 the GAAP basis are as follows:

1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3) Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and major special revenue funds.

Net Change in Fund Balances

	General	Fire Emergency Levy	Road Levy
GAAP Basis	$7,574	$8,174	($96,915)
Net Adjustment for Revenue Accruals	(1,589,048)	0	0
Net Adjustment for Expenditure Accruals	1,622,456	0	2,374
Encumbrances	(132,460)	0	(5,551)
Budget Basis	($91,478)	$8,174	($100,092)

Note 7 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City 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 Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (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;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and

3. Obligations of the City.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2018, $325,419 of the City's total bank balance of $1,078,625 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The City's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end, the City had $700 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Investments

At December 31, 2018, the City had $594,716 invested in STAR Ohio with an average maturity of 44.9 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAm by Standard & Poor's. The City has no investment policy that addresses credit risk.

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

Note 8 – Receivables

Receivables at December 31, 2018, consisted primarily of property taxes, municipal income taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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 later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $13.05 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

	Assessed Values
Real Property	
Residential/Agricultural	$246,609,690
Other Real Estate	11,394,630
Public Utility Personal Property	9,980,620
Total Valuation	$267,984,940

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

In November of 2001, the City approved an income tax increase from one to two percent beginning January 1, 2002 on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed 1.75 percent of taxable income.

Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City through its collection agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The general fund receives all income tax proceeds.

Intergovernmental Receivable

A summary of the governmental activities principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Gasoline Tax	$149,754
Homestead and Rollback	117,371
Local Government	111,934
Lake County	48,524
Permissive Tax	31,227
Motor Vehicle License Tax	29,813
Gasoline Excise Tax	12,140
Willoughby Municipal Court	3,755
Ohio Bureau of Workers' Compensation	2,378
Grants Receivable	1,969
Lake County Court of Common Pleas	210
Total	$509,075

Note 9 – Interfund Transactions

Interfund Transfers

The major capital equipment special revenue fund transferred $151,329 to the general obligation bond retirement fund for debt payment requirements.

Interfund Balances

At December 31, 2018, $66,581 was due from the State Route 306 and State Route 6 fund and $17,606 was due from other governmental funds to the general fund. This was due to the general fund covering deficit cash balances in these funds and moving unrestricted balances to support programs accounted for in other funds.

Note 10 - Contingencies

Grants

The City 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any 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 City.

Litigation

The City is a party to legal proceedings. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City and that the City has adequate liability insurance coverage to protect itself against any material loss.

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
Governmental Activities:				
Capital Assets, not being depreciated				
Land	$1,364,602	$0	$0	$1,364,602
Capital Assets, being depreciated				
Buildings, Structures and Improvements	6,443,501	11,800	0	6,455,301
Machinery and Equipment	5,419,262	555,031	0	5,974,293
Infrastructure:				
Roads	33,437,200	1,844,577	0	35,281,777
Storm Sewer	1,032,484	0	0	1,032,484
Total Capital Assets, being depreciated	46,332,447	2,411,408	0	48,743,855
Less Accumulated Depreciation:				
Buildings, Structures and Improvements	(3,722,765)	(163,132)	0	(3,885,897)
Machinery and Equipment	(3,511,703)	(417,165)	0	(3,928,868)
Infrastructure:				
Roads	(25,500,942)	(942,856)	0	(26,443,798)
Storm Sewer	(653,062)	(41,299)	0	(694,361)
Total Accumulated Depreciation	(33,388,472)	(1,564,452) *	0	(34,952,924)
Total Capital Assets being depreciated, Net	12,943,975	846,956	0	13,790,931
Governmental Activities Capital Assets, Net	$14,308,577	$846,956	$0	$15,155,533

* Depreciation expense was charged to governmental activities as follows:

General Government	$72,645
Security of Persons and Property	244,259
Transportation	1,185,985
Community Environment	2,714
Leisure Time Activities	58,849
Total	$1,564,452

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
Business-Type Activities:				
Capital Assets, not being depreciated				
Land	$124,417	$0	$0	$124,417
Capital Assets, being depreciated				
Buildings, Structures and Improvements	164,476	0	0	164,476
Machinery and Equipment	46,505	0	0	46,505
Infrastructure:				
Sewer Lines	2,798,671	0	0	2,798,671
Total Capital Assets, being depreciated	3,009,652	0	0	3,009,652
Less Accumulated Depreciation:				
Buildings, Structures and Improvements	(138,206)	(3,981)	0	(142,187)
Machinery and Equipment	(35,842)	(1,814)	0	(37,656)
Infrastructure:				
Sewer Lines	(662,714)	(57,538)	0	(720,252)
Total Accumulated Depreciation	(836,762)	(63,333)	0	(900,095)
Total Capital Assets being depreciated, Net	2,172,890	(63,333)	0	2,109,557
Business-Type Activities Capital Assets, Net	$2,297,307	($63,333)	$0	$2,233,974

Note 12 - Risk Management

Workers' Compensation

The City pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Property and Liability

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2018, the City contracted with various insurance agencies for various types of insurance. The type, coverage, and deductibles for the City's insurance follows:

Type	Coverage	Deductible
Wichert Insurance Agency:		
Commercial Property	$12,290,285	$1,000
Earthquake and Flood	500,000	25,000
Boiler Machinery and Machinery	12,280,285	1,000
Leased/Rental Equipment	185,000	1,000
Inland Marine	826,450	1,000
Commercial General Liability	1,000,000	0
Umbrella Liability	4,000,000	0
Commercial Automotive	1,000,000	500
Uninsured Motorists	50,000	0
Love Insurance Agency:		
Law Enforcement	1,000,000	5,000
Public Officials	1,000,000	5,000
Employment Practices	1,000,000	7,500

Settled claims have not exceeded this coverage in any of the last three years. There has not been significant reduction in coverage from the prior year.

Note 13 - Defined Benefit Pension Plans

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

Net Pension Liability (Asset) /Net OPEB Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the tradition and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula:	**Traditional Plan Formula:**	**Traditional Plan Formula:**
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula:	**Combined Plan Formula:**	**Combined Plan Formula:**
1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost–of–living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2018, The City's contractually required contribution was $233,358 for the traditional plan, $3,747 for the combined plan and $65 for the member-directed plan. Of these amounts, $35,420 is reported as an intergovernmental payable for the traditional plan, $569 for the combined plan, and $10 for the member-directed plan.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $302,607 for 2018. Of this amount, $30,389 is reported as an intergovernmental payable.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/(asset):				
Current Measurement Date	0.012344%	0.004867%	0.061567%	
Prior Measurement Date	0.012365%	0.000000%	0.066247%	
Change in Proportionate Share	-0.000021%	0.004867%	-0.004680%	
Proportionate Share of the:				
Net Pension Liability	$1,936,535	$0	$3,778,644	$5,715,179
Net Pension (asset)	0	(6,625)	0	(6,625)
Pension Expense	383,521	(1,825)	436,772	818,468

2018 pension expense for the member-directed defined contribution plan was $65.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$1,977	$0	$57,343	$59,320
Changes of assumptions	231,429	579	164,655	396,663
Changes in proportion and differences between City contributions and proportionate share of contributions	0	0	64,031	64,031
City contributions subsequent to the measurement date	233,358	3,747	302,607	539,712
Total Deferred Outflows of Resources	$466,764	$4,326	$588,636	$1,059,726
Deferred Inflows of Resources				
Differences between expected and actual experience	$38,163	$1,973	$6,835	$46,971
Net difference between projected and actual earnings on pension plan investments	415,748	1,045	130,712	547,505
Changes in proportion and differences between City contributions and proportionate share of contributions	26,898	2,361	256,416	285,675
Total Deferred Inflows of Resources	$480,809	$5,379	$393,963	$880,151

$539,712 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2019	$149,464	($616)	$64,562	$213,410
2020	(42,956)	(645)	30,197	(13,404)
2021	(183,074)	(879)	(105,190)	(289,143)
2022	(170,837)	(855)	(95,797)	(267,489)
2023	0	(487)	(1,520)	(2,007)
Thereafter	0	(1,318)	(186)	(1,504)
Total	($247,403)	($4,800)	($107,934)	($360,137)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	$3,438,792	$1,936,535	$684,104
OPERS Combined Plan	(3,602)	(6,625)	(8,712)

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$5,238,192	$3,778,644	$2,588,250

Note 14 – Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $26 for 2018. Of this amount, $4 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description **–** The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy **–** The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was $7,103 for 2018. Of this amount, $713 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.011660%	0.0615670%	
Prior Measurement Date	0.011560%	0.0662470%	
Change in Proportionate Share	0.0001000%	-0.0046800%	
Proportionate Share of the Net Pension Liability	$1,266,190	$3,488,299	$4,754,489
OPEB Expense	$109,438	$248,898	$358,336

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$986	$0	$986
Changes of assumptions	92,192	340,384	432,576
Changes in proportion and differences between City contributions and proportionate share of contributions	6,834	0	6,834
City contributions subsequent to the measurement date	26	7,103	7,129
Total Deferred Outflows of Resources	$100,038	$347,487	$447,525

	OPERS	OP&F	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$17,594	$17,594
Net difference between projected and actual earnings on OPEB plan investments	94,323	22,962	117,285
Changes in proportion and differences between City contributions and proportionate share of contributions	0	197,955	197,955
Total Deferred Inflows of Resources	$94,323	$238,511	$332,834

$7,129 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	$24,235	$12,510	$36,745
2020	24,235	12,510	36,745
2021	(19,202)	12,510	(6,692)
2022	(23,579)	12,510	(11,069)
2023	0	18,251	18,251
Thereafter	0	33,582	33,582
Total	$5,689	$101,873	$107,562

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$1,682,188	$1,266,190	$929,652

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$1,211,474	$1,266,190	$1,322,710

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$4,360,417	$3,488,299	$2,817,238

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$2,709,774	$3,488,299	$4,537,489

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

Note 15 – Other Employee Benefits

Compensated Absences

Employees earn two to five weeks of vacation per year, depending upon length of service, which is calculated based on the hire date of each full time employee. This time should be taken within one year from the employee's anniversary date; however, in approved cases, an employee may be paid for vacation days the employee was unable to take. Employees can earn thirteen holidays per year including two personal days off and one personal sick day. Upon termination, employees are paid for accrued unused vacation, compensatory or holiday time earned but not used.

Employees earn sick leave at a rate of .0575 percent of each and every 80 hours they are paid on a biweekly or salary basis, either for hours worked or for paid time off. They earn sick time up to a maximum of 120 hours of sick time per year. During 2015, the fire department full time staff started a new agreement whereby the employees could earn sick time at the same rate of .0575 hours but since they work 24-hour shifts, or work 51.4 hours per week, they would earn 5.92 hours per pay, for a maximum of 154 hours per year. Sick leave accrual is continuous, without limit. Upon retirement, an employee with ten years of continuous service or more is paid at their current rate of pay for the first 480 hours of unused sick leave. Any remaining time is paid at a rate of $20 for each eight hours of sick time.

Health Insurance

The City provides hospitalization, medical, dental, vision and life insurance for all full time employees. Starting January 1, 2018 the City entered into a three year contract with the Lake County Board of Commissioners to participate in their group health plan. Medical Mutual provided the hospitalization and medical insurance in 2018. Employees pay ten percent of the premium up to a maximum of $180 per month effective January 2018. Principal provides the dental insurance which is paid entirely by the City. EyeMed Vision Care provides vision insurance which is paid entirely by the City. The plan covers lenses, contacts and routine office exams. Principal provides life insurance and core accidental death insurance of $20,000 which is paid entirely by the City. Employees are able to add extra insurance once a year for themselves, their spouse or children up to $500,000 or five times their annual salary, whichever is less, paid by the employee through payroll deductions.

Note 16 - Operating Lease

The City of Kirtland has an operating lease with Pitney Bowes for a postage meter. This is a five-year lease with a payment of $52 per month.

Note 17 – Short-Term Obligations

A summary of note transactions for the year ended December 31, 2018 follows:

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18
General Fund:				
2010 Plow Truck	$20,000	$5,000	($20,000)	$5,000
Emergency Radio Equipment	10,000	0	(10,000)	0
Truck (Service Department) - 2012	25,000	40,000	(25,000)	40,000
Truck (Service Department) - 2013	25,000	30,000	(25,000)	30,000
Truck (Service Department) - 2014	15,000	10,000	(15,000)	10,000
Computer System Upgrades - 2014	10,000	15,000	(10,000)	15,000
Roof HVAC System (City Hall) - 2016	10,000	5,000	(10,000)	5,000
Plow Truck (Service Department) - 2017	15,000	5,000	(15,000)	5,000
Roof HVAC System (Fire Station) - 2017	5,000	5,000	(5,000)	5,000
Road Equipment - 2017	10,000	5,000	(10,000)	5,000
Fire Squad - 2017	10,000	5,000	(10,000)	5,000
Total General Fund	155,000	125,000	(155,000)	125,000
Major Capital Equipment Fund:				
Ambulance	10,000	30,000	(10,000)	30,000
Sperry Road Improvements:				
Road Improvements - 2015	5,000	5,000	(5,000)	5,000
Tibbetts Road Fund:				
Tibbetts Road Completion - 2014	5,000	5,000	(5,000)	5,000
Worrell Road Resurfacing Fund:				
Worrell Road Resurfacing - 2017	10,000	0	(10,000)	0
State Route 306 and 6 Fund:				
State Route 306 and 6 Intersection	5,000	65,000	(5,000)	65,000
State Route 306 Slope Stabilization	5,000	15,000	(5,000)	15,000
State Route 6 and Sperry Road	10,000	15,000	(10,000)	15,000
State Route 6 Resurfacing	15,000	25,000	(15,000)	25,000
Lakeland Traffic Signal/306	10,000	0	(10,000)	0
Lakeland Turn Lanes (Phase II) - 2014	5,000	5,000	(5,000)	5,000
Total State Route 306 and 6 Fund	50,000	125,000	(50,000)	125,000
Total	$235,000	$290,000	($235,000)	$290,000

All the notes are backed by the full faith and credit of the City of Kirtland and mature within one year. The maturity date for all outstanding notes is June 20, 2019 and the notes have an interest rate of two percent. The note liability is reflected in the funds which received the proceeds. All note proceeds have been fully expended. The notes will be paid from transfers from the general obligation bond retirement fund.

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are limitations on the number of times a note can be renewed. All notes outstanding at year-end are bond anticipation notes. The notes will be refinanced until the projects are complete and the City determines it is advantageous to issue bonds. The $290,000 liability above represents the portion of these notes which will be paid down in 2019. The remaining balance of these notes is reported as a long-term liability (See Note 18).

Note 18 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds, notes and loans follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Enterprise General Obligation Bonds:			
Templeview Sewer Project Bond - 2006	4.375%	$323,000	June 1, 2046
Enterprise Ohio Public Works Commission Loans:			
Templeview Sewer - 2003	0.00	283,915	July 1, 2026
General Obligation Bonds:			
Various Purpose Refunding Bonds - 2016:	2.38		
State Route 306 Improvement		662,729	December 1, 2026
Parks and Recreation Purposes		408,318	December 1, 2026
Service Facility		125,636	December 1, 2026
Senior Center		62,817	December 1, 2026
Ohio Public Works Commission Loans:			
Route 306 Widening Phase II - 2005	0.00	50,000	January 31, 2026
Route 306 and Route 6 Intersection - 2015	0.00	50,000	July 1, 2030
Route 306 at Lakeland Community College - 2015	0.00	49,600	January 31, 2030
Long-term Notes:			
2010 Plow Truck	3.00	5,000	June 20, 2019
Truck (Service Department) - 2012	3.00	40,000	June 20, 2019
Truck (Service Department) - 2013	3.00	115,000	June 20, 2019
Truck (Service Department) - 2014	3.00	140,000	June 20, 2019
Plow Truck - Service Department - 2015	3.00	165,000	June 20, 2019
Roof and HVAC System (City Hall) - 2015	3.00	230,000	June 20, 2019
Roof and HVAC System (Fire Station) - 2015	3.00	95,000	June 20, 2019
Computer System Upgrades - 2014	3.00	65,000	June 20, 2019
Arborhurst and Singlefoot Roads - 2016	3.00	200,000	June 20, 2019
Road Equipment - 2016	3.00	90,000	June 20, 2019
Fire Squad - 2016	3.00	190,000	June 20, 2019
Fire Engine - 2017	3.00	400,000	June 20, 2019
City Hall Roof (Phase II) - 2017	3.00	100,000	June 20, 2019
Safety System Upgrade - 2018	3.00	150,000	June 20, 2019
Service Department Vehicle - 2018	3.00	150,000	June 20, 2019
Ambulance - 2012	3.00	30,000	June 20, 2019
Sperry Road Improvements - 2015	3.00	30,000	June 20, 2019
Tibbetts Road Completion - 2014	3.00	30,000	June 20, 2019
Wisner Road Stabilization - 2018	3.00	100,000	June 20, 2019
Worrell Road Resurfacing - 2016	3.00	35,000	June 20, 2019
School Crosswalk - 2018	3.00	100,000	June 20, 2019
State Route 306 and 6 Intersection - 2012	3.00	65,000	June 20, 2019
State Route 6 and Sperry Road - 2012	3.00	60,000	June 20, 2019
State Route 6 Resurfacing - 2012	3.00	100,000	June 20, 2019
Lakeland Turn Lanes (Phase II) - 2014	3.00	50,000	June 20, 2019
State Route 306 Slope Stabilization - 2016	3.00	70,000	June 20, 2019
SR 306 Road Construction - 2018	3.00	500,000	June 20, 2019

The changes in long-term obligations during the year were as follows:

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Various Purpose Refunding Bonds 2016:					
State Route 306 Improvement	$607,743	$0	($61,564)	$546,179	$62,879
Parks and Recreation Purposes	374,440	0	(37,930)	336,510	38,741
Service Facility	115,212	0	(11,671)	103,541	11,920
Senior Center	57,605	0	(5,835)	51,770	5,960
Total General Obligation Bonds	1,155,000	0	(117,000)	1,038,000	119,500
OPWC Loans:					
Route 306 Widening, Phase II 2005	21,250	0	(2,500)	18,750	2,500
Route 306 and Route 6 Intersection	34,211	0	(2,632)	31,579	2,631
Route 306 at Lakeland Community College	38,725	0	(3,100)	35,625	3,100
Total OPWC Loans	94,186	0	(8,232)	85,954	8,231
Long-Term Notes Payable:					
2010 Plow Truck	5,000	0	(5,000)	0	0
Truck (Service Department) - 2012	40,000	0	(40,000)	0	0
Truck (Service Department) - 2013	115,000	85,000	(115,000)	85,000	0
Truck (Service Department) - 2014	140,000	130,000	(140,000)	130,000	0
Plow Truck (Service Department) - 2015	165,000	160,000	(165,000)	160,000	0
Roof and HVAC System (City Hall)	230,000	225,000	(230,000)	225,000	0
Roof and HVAC System (Fire Station)	95,000	90,000	(95,000)	90,000	0
Computer System Upgrades - 2014	65,000	50,000	(65,000)	50,000	0
Arborhurst and Singlefoot Roads - 2016	200,000	200,000	(200,000)	200,000	0
Road Equipment - 2016	90,000	85,000	(90,000)	85,000	0
Fire Squad - 2016	190,000	185,000	(190,000)	185,000	0
Fire Engine - 2017	400,000	400,000	(400,000)	400,000	0
City Hall Roof (Phase II) - 2017	100,000	100,000	(100,000)	100,000	0
Safety System Upgrade - 2018	0	150,000	0	150,000	0
Service Department Vehicle - 2018	0	150,000	0	150,000	0
Ambulance - 2012	30,000	0	(30,000)	0	0
Sperry Road Improvements -2015	30,000	25,000	(30,000)	25,000	0
Tibbetts Road Completion - 2014	30,000	25,000	(30,000)	25,000	0
Wisner Road Stabilization - 2018	0	100,000	0	100,000	0
Worrell Road Resurfacing - 2016	35,000	35,000	(35,000)	35,000	0
School Crosswalk	0	100,000	0	100,000	0
State Route 306 and 6 Intersection	65,000	0	(65,000)	0	0
State Route 6 and Sperry Road	60,000	45,000	(60,000)	45,000	0
State Route 6 Resurfacing	100,000	75,000	(100,000)	75,000	0
Lakeland Turn Lanes (Phase II) - 2014	50,000	45,000	(50,000)	45,000	0
State Route 306 Slope Stabilization - 2016	70,000	55,000	(70,000)	55,000	0
SR 306 Road Construction - 2018	0	500,000	0	500,000	0
Total Long-Term Notes Payable	$2,305,000	$3,015,000	($2,305,000)	$3,015,000	$0

(continued)

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18	Amounts Due in One Year
Governmental Activities (Continued):					
Other Long-Term Obligations:					
Compensated Absences	$322,298	$90,958	($27,845)	$385,411	$19,529
Capital Leases	119,229	103,994	(80,538)	142,685	55,378
Total Other Long-Term Obligations	441,527	194,952	(108,383)	528,096	74,907
Net Pension Liability:					
OPERS	2,779,800	0	(862,632)	1,917,168	0
OP&F	4,196,018	0	(417,374)	3,778,644	0
Total Net Pension Liability	6,975,818	0	(1,280,006)	5,695,812	0
Net OPEB Liability:					
OPERS	1,155,923	97,604	0	1,253,527	0
OP&F	3,144,596	343,703	0	3,488,299	0
Total Net Pension Liability	4,300,519	441,307	0	4,741,826	0
Total Governmental Activities	$15,272,050	$3,651,259	($3,818,621)	$15,104,688	$202,638
Business-Type Activities:					
General Obligation Bonds:					
Templeview Sewer Project	$280,400	$0	($5,000)	$275,400	$5,200
OPWC Loan:					
Templeview Sewer	127,761	0	(14,195)	113,566	14,196
Net Pension Liability:					
OPERS	28,080	0	(8,713)	19,367	0
Net OPEB Liability:					
OPERS	11,676	987	0	12,663	0
Total Business-Type Activities	$447,917	$987	($27,908)	$420,996	$19,396

In 2006, the City issued $323,000 in forty year general obligation bonds with an interest rate of 4.375 percent. The bond proceeds were used for the Templeview sewer project. The waste water refunding bonds will be paid from collections in the waste water fund.

From 2003 to 2006, the City received $283,915 in Ohio Public Works Commission (OPWC) loans for the Templeview Sewer Project. A special assessment will be levied on the benefiting units upon completion of the project.

In 2016, the City issued general obligation bonds, in the amount of $1,259,500 to currently refund bonds previously issued in 2006. The current refunding was undertaken to take advantage of lower interest rates. The bonds were issued with an interest rate of 2.38 percent and were issued for a ten year period with final maturity on December 1, 2026. The bonds will be retired through the general obligation bond retirement debt service fund.

The City, in effect, decreased its aggregate debt service payments for governmental activities by $164,584 over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $133,892.

In 2005, the City received a $50,000 OPWC loan for the Route 306 Widening Phase II Project which will be paid from the general obligation bond retirement fund.

In 2011, the City received the remaining $29,688 of a $50,000 OPWC loan for the Route 306 and Route 6 Intersection Project which will be paid from the general obligation bond retirement fund.

In 2014, the City received a $49,600 OPWC loan for the Route 306 at Lakeland Community College Project which will be paid from the general obligation bond retirement fund.

During 2018, the City issued $3,305,000 in bond anticipation notes which were used to retire the 2017 $2,540,000 in bond anticipation notes and for the purchase of new equipment. Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as long-term liabilities and therefore, have been excluded from the amount due in more than one year.

Compensated absences will be paid from the general fund. Capital leases will be paid from the road levy fund. The City pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability and net OPEB liability. However, employer pension contributions are made from the general fund and the waste water enterprise fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

The City's overall legal debt margin was $21,465,063 with an unvoted debt margin of $9,134,579 at December 31, 2018. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018 are as follows:

	Governmental Activities			**Business-Type Activity**		
	General Obligation Bonds		OPWC Loan	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal	Principal	Interest	Principal
2019	$119,500	$23,282	$8,231	$5,200	$12,049	$14,196
2020	122,500	20,403	8,232	5,400	11,854	14,195
2021	125,000	17,457	8,232	5,700	11,585	14,196
2022	127,500	14,453	8,231	5,900	11,336	14,196
2023	129,500	11,394	8,232	6,200	11,078	14,196
2024-2028	414,000	14,851	34,908	35,000	51,156	42,587
2029-2033	0	0	9,888	43,600	42,749	0
2034-2038	0	0	0	54,000	32,332	0
2039-2043	0	0	0	66,900	19,425	0
2044-2046	0	0	0	47,500	4,219	0
Total	$1,038,000	$101,840	$85,954	$275,400	$207,783	$113,566

Note 19 - Capital Leases

The City has entered into capitalized leases for road machinery. The leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for governmental funds.

	Governmental Activities
Road Machinery	$292,752
Less: Accumulated Depreciation	(171,807)
Total	$120,945

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2018.

	Governmental Activities
2019	$59,098
2020	36,834
2021	18,669
2022	18,669
2023	18,668
Total Minimum Lease Payments	151,938
Less: Amount representing interest	(9,253)
Present Value of Minimum Lease Payments	$142,685

Note 20 – Encumbrances

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

	Amount		Amount
Governmental Funds:		Proprietary Fund:	
General	$132,460	Waste Water	$3,290
Road Levy	5,551		
Other Governmental Funds	106,832		
Total Governmental Funds	$244,843		

Note 21 – Jointly Governed Organizations

Northeast Ohio Public Energy Council

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of 164 communities who have been authorized by ballot to purchase electricity on behalf of their citizens and 125 communities who have been authorized by ballot to purchase natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the nine-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation programs. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2018. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 4413.

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2018, these costs are not yet available; however, they are not expected to be significantly different from 2017. For 2018, the City paid RITA $75,261 for income tax collection services.

Note 22 – Subsequent Event

During June, 2019, the City retired $2,540,000 in general obligation bond anticipation notes and issued $3,305,000 in new notes. The new notes have a maturity of June 18, 2020 and an interest rate of 2.75 percent.

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.012344%	0.012365%	0.012889%	0.013139%	0.013139%
City's Proportionate Share of the Net Pension Liability	$1,936,535	$2,807,880	$2,232,537	$1,584,711	$1,548,917
City's Covered Payroll	$1,631,246	$1,598,392	$1,604,217	$1,610,883	$1,567,089
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.72%	175.67%	139.17%	98.38%	98.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.
An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

City of Kirtland, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
2018 (1)

	2018
City's Proportion of the Net Pension Asset	0.004867%
City's Proportionate Share of the Net Pension Asset	$6,625
City's Covered Payroll	$19,938
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-33.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

City of Kirtland, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.011660%	0.011560%
City's Proportionate Share of the Net OPEB Liability	$1,266,190	$1,167,599
City's Covered Payroll	$1,651,809	$1,598,392
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.65%	73.05%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

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

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

City of Kirtland, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Police and Fire Pension Fund
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0615670%	0.0662470%	0.0671060%	0.0645996%	0.0645996%
City's Proportionate Share of the Net Pension Liability	$3,778,644	$4,196,018	$4,316,976	$3,346,528	$3,146,203
City's Covered Payroll	$1,413,663	$1,396,114	$1,342,602	$1,266,312	$1,297,154
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	267.29%	300.55%	321.54%	264.27%	242.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

City of Kirtland, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.0615670%	0.0662470%
City's Proportionate Share of the Net OPEB Liability	$3,488,299	$3,144,596
City's Covered Payroll	$1,413,663	$1,396,114
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	246.76%	225.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

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

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Six Years (1)

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	$233,358	$212,062	$191,807
Contributions in Relation to the Contractually Required Contribution	(233,358)	(212,062)	(191,807)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$1,666,843	$1,631,246	$1,598,392
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%
Net Pension Liability - Combined Plan			
Contractually Required Contribution	$3,747	$2,592	
Contributions in Relation to the Contractually Required Contribution	(3,747)	(2,592)	
Contribution Deficiency (Excess)	$0	$0	
City Covered Payroll	$26,764	$19,938	
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	
Net OPEB Liability - OPEB Plan (2)			
Contractually Required Contribution	$26	$16,536	$31,968
Contributions in Relation to the Contractually Required Contribution	(26)	(16,536)	(31,968)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll (3)	$1,694,257	$1,651,809	$1,598,392
OPEB Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%

(1) Information prior to 2013 is not available.
(2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(3) The OPEB plan includes the members from the traditional plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

2015	2014	2013
$192,506	$193,306	$203,722
(192,506)	(193,306)	(203,722)
$0	$0	$0
$1,604,217	$1,610,883	$1,567,089
12.00%	12.00%	13.00%

City of Kirtland, Ohio

Required Supplementary Information

Schedule of the City's Contributions

Ohio Police and Fire Pension Fund

Last Ten Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$302,607	$301,346	$296,723	$285,807
Contributions in Relation to the Contractually Required Contribution	(302,607)	(301,346)	(296,723)	(285,807)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$1,420,506	$1,413,663	$1,396,114	$1,342,602
Pension Contributions as a Percentage of Covered Payroll	21.30%	21.32%	21.25%	21.29%
Net OPEB Liability				
Contractually Required Contribution	$7,103	$7,068	$6,981	$6,714
Contributions in Relation to the Contractually Required Contribution	(7,103)	(7,068)	(6,981)	(6,714)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.31%	0.32%	0.33%	0.33%
Total Contributions as a Percentage of Covered Payroll	21.61%	21.64%	21.58%	21.62%

(1) The City's Covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$270,345	$235,746	$189,023	$190,546	$182,156	$182,068
(270,345)	(235,746)	(189,023)	(190,546)	(182,156)	(182,068)
$0	$0	$0	$0	$0	$0
$1,266,312	$1,297,154	$1,255,268	$1,263,338	$1,202,174	$1,208,891
21.35%	18.17%	15.06%	15.08%	15.15%	15.06%
$6,331	$46,914	$84,731	$85,276	$81,147	$81,600
(6,331)	(46,914)	(84,731)	(85,276)	(81,147)	(81,600)
$0	$0	$0	$0	$0	$0
0.33%	2.57%	4.71%	4.95%	4.65%	4.85%
21.68%	20.74%	19.77%	20.03%	19.80%	19.91%

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Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OP&F Pension

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

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

City of Kirtland
Lake County
9301 Chillicothe Road
Kirtland, Ohio 44094

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

October 19, 2020

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF KIRTLAND

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 11/17/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov