



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, 2020, 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, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Fire Emergency 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 24 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. 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.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021, 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
Auditor of State
Columbus, Ohio

October 8, 2021

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City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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, 2020. 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 2020 are:

- In 2020, the City continued the comprehensive road rebuilding, resurfacing and drainage program which includes improvements to Old Town, Wisner Road South stabilization and Booth Road. During 2020, the City completed improvements to Fox Hill Drive drainage system, Tibbitts Road culvert, Raccoon Hill outfall, Gildersleeve Drive culvert, Emerald Glen and Wisner Road North streambank stabilization.
- During 2020, the City issued \$2,431,335 in general obligation notes which were used to retire the 2019 \$3,050,517 in general obligation notes.

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 2020?" 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.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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 18. 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 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 only fiduciary fund is a private purpose trust.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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 2020 compared to 2019.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$6,927,062	\$6,651,082	\$180,299	\$203,800	\$7,107,361	\$6,854,882
Net Pension Asset	10,601	6,929	107	69	10,708	6,998
Capital Assets, Net	14,258,358	14,408,395	2,107,340	2,170,640	16,365,698	16,579,035
<i>Total Assets</i>	<u>21,196,021</u>	<u>21,066,406</u>	<u>2,287,746</u>	<u>2,374,509</u>	<u>23,483,767</u>	<u>23,440,915</u>
Deferred Outflows of Resources:						
Pension	1,061,633	2,502,940	3,153	9,794	1,064,786	2,512,734
OPEB	728,064	602,391	2,324	1,246	730,388	603,637
<i>Total Deferred Outflows of Resources</i>	<u>1,789,697</u>	<u>3,105,331</u>	<u>5,477</u>	<u>11,040</u>	<u>1,795,174</u>	<u>3,116,371</u>
Current and Other Liabilities	1,493,843	2,037,984	23,295	53,447	1,517,138	2,091,431
Long-Term Liabilities:						
Due Within One Year	216,855	178,959	26,994	12,498	243,849	191,457
Due in More than One Year:						
Pension	6,484,187	8,638,318	22,069	33,800	6,506,256	8,672,118
OPEB	2,077,041	2,098,112	14,613	15,230	2,091,654	2,113,342
Other Amounts	3,017,387	3,621,595	330,078	357,072	3,347,465	3,978,667
<i>Total Liabilities</i>	<u>13,289,313</u>	<u>16,574,968</u>	<u>417,049</u>	<u>472,047</u>	<u>13,706,362</u>	<u>17,047,015</u>
Deferred Inflows of Resources:						
Property Taxes	1,592,499	1,611,477	0	0	1,592,499	1,611,477
Pension	1,262,600	263,856	6,298	537	1,268,898	264,393
OPEB	665,850	352,377	2,915	41	668,765	352,418
<i>Total Deferred Inflows of Resources</i>	<u>3,520,949</u>	<u>2,227,710</u>	<u>9,213</u>	<u>578</u>	<u>3,530,162</u>	<u>2,228,288</u>
Net Investment in Capital Assets	10,823,618	9,843,077	1,750,268	1,801,070	12,573,886	11,644,147
Restricted:						
Capital Projects	329,989	969,657	0	0	329,989	969,657
Debt Service	32,201	0			32,201	0
Other Purposes	1,238,769	1,250,506	0	0	1,238,769	1,250,506
Unrestricted (Deficit)	(6,249,121)	(6,694,181)	116,693	111,854	(6,132,428)	(6,582,327)
<i>Total Net Position</i>	<u>\$6,175,456</u>	<u>\$5,369,059</u>	<u>\$1,866,961</u>	<u>\$1,912,924</u>	<u>\$8,042,417</u>	<u>\$7,281,983</u>

The net pension liability (NPL) is the largest liability reported by the City at December 31, 2020. 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

City of Kirtland, Ohio
Management's Discussion and Analysis
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Unaudited

Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Net position 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 \$6,175,456 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 increase in governmental net position was due to decreased deferred outflows related to net pension liabilities and a decrease in other long-term liabilities. Total assets increased mainly due to an increase in equity in pooled cash and cash equivalents.

Table 2 shows the changes in net position for the years ended December 31, 2020, as compared to 2019.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$596,173	\$698,180	\$107,029	\$110,072	\$703,202	\$808,252
Operating Grants and Contributions	1,410,868	786,960	0	0	1,410,868	786,960
Capital Grants	350,187	1,386,050	0	0	350,187	1,386,050
Total Program Revenues	2,357,228	2,871,190	107,029	110,072	2,464,257	2,981,262
General Revenues						
Property Taxes	1,680,817	2,185,789	0	0	1,680,817	2,185,789
Municipal Income Taxes	3,808,155	3,837,332	0	0	3,808,155	3,837,332
Grants and Entitlements	695,637	392,265	0	0	695,637	392,265
Investment Earnings	4,378	14,015	0	0	4,378	14,015
Miscellaneous	97,150	79,207	0	0	97,150	79,207
Total General Revenues	6,286,137	6,508,608	0	0	6,286,137	6,508,608
Total Revenues	\$8,643,365	\$9,379,798	\$107,029	\$110,072	\$8,750,394	\$9,489,870

(continued)

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

Table 2
Changes in Net Position
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Expenses						
General Government	\$1,728,772	\$2,352,590	\$0	\$0	\$1,728,772	\$2,352,590
Security of Persons and Property	4,293,175	660,267	0	0	4,293,175	660,267
Transportation	1,315,151	2,665,769	0	0	1,315,151	2,665,769
Public Health and Welfare	96,060	95,639	0	0	96,060	95,639
Community Environment	137,174	92,365	0	0	137,174	92,365
Leisure Time Activities	221,330	440,550	0	0	221,330	440,550
Interest and Fiscal Charges	38,906	117,566	0	0	38,906	117,566
Waste Water	0	0	159,392	184,741	159,392	184,741
Total Program Expenses	7,830,568	6,424,746	159,392	184,741	7,989,960	6,609,487
<i>Increase (Decrease) in Net Position Before Transfers</i>	812,797	2,955,052	(52,363)	(74,669)	760,434	2,880,383
Transfers	(6,400)	0	6,400	0	0	0
<i>Change in Net Position</i>	806,397	2,955,052	(45,963)	(74,669)	760,434	2,880,383
Net Position Beginning of Year	5,369,059	2,414,007	1,912,924	1,987,593	7,281,983	4,401,600
Net Position End of Year	<u>\$6,175,456</u>	<u>\$5,369,059</u>	<u>\$1,866,961</u>	<u>\$1,912,924</u>	<u>\$8,042,417</u>	<u>\$7,281,983</u>

The City is very dependent on property taxes and income taxes. Property tax revenues decreased 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 \$4,293,175 which is 54.8 percent of total governmental expenses, an increase from 2019 due to changes in net pension liability and net OPEB liability. 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. 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 seven 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 2020, 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.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

The City's income taxes has 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.

Total revenues for governmental activities decreased in 2020 due to decreased monies received from capital grant revenues and property taxes. 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 2020 compared to 2019 due to an increase in security of persons and property due to a change in net OPEB liability. 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.

For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from a negative OPEB expense of \$357,240 in 2018 to a negative OPEB expense of \$2,911,988 for 2019. In 2020, the OPEB expense is \$58,047.

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	
	2020	2019	2020	2019
General Government	\$1,728,772	\$2,352,590	(\$1,509,758)	(\$2,106,365)
Security of Persons and Property	4,293,175	660,267	(3,124,259)	(181,280)
Transportation	1,315,151	2,665,769	(456,329)	(650,024)
Public Health and Welfare	96,060	95,639	(86,895)	(85,228)
Community Environment	137,174	92,365	(125,028)	(84,742)
Leisure Time Activities	221,330	440,550	(132,165)	(328,351)
Interest and Fiscal Charges	38,906	117,566	(38,906)	(117,566)
Total	\$7,830,568	\$6,424,746	(\$5,473,340)	(\$3,553,556)

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 54.83 percent of total 2020 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 16.80 percent of total governmental expenses. The majority of transportation expenses include salaries, benefits and infrastructure depreciation.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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 2020. 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 and the Fire Emergency Levy special revenue fund. The increase in General fund revenues was mainly due to increases in property taxes, municipal income taxes, intergovernmental and miscellaneous revenue. The increase in revenues was outpaced by expenditures even though there was a decrease in general government and transportation expenditures and short term notes payable from 2019, all of which contributed to a decrease in fund balance.

General fund expenditures decreased due to decreases to general government, transportation and debt service costs offset by an increase in security of persons and property costs. The Fire Emergency Levy special revenue fund balance increased slightly due to increased revenues outpacing decreased security of persons and property costs.

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 2020, 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.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
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Capital Assets and Debt Administration

Capital Assets

Table 4 shows 2020 balances of capital assets as compared to 2019.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$1,364,602	\$1,364,602	\$124,417	\$124,417	\$1,489,019	\$1,489,019
Construction in Progress	636,494	532,488	0	0	636,494	532,488
Buildings, Structures and Improvements	2,324,153	2,447,935	14,340	18,308	2,338,493	2,466,243
Machinery and Equipment	1,730,772	1,669,942	5,221	7,035	1,735,993	1,676,977
Infrastructure						
Roads	7,698,400	8,096,604	0	0	7,698,400	8,096,604
Storm Sewers	503,937	296,824	0	0	503,937	296,824
Sewer Lines	0	0	1,963,362	2,020,880	1,963,362	2,020,880
Total	\$14,258,358	\$14,408,395	\$2,107,340	\$2,170,640	\$16,365,698	\$16,579,035

Capital assets decreased primarily due to an additional year of depreciation.

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 Old Town, Wisner Road South stabilization and Booth Road. During 2020, the City completed improvements to Fox Hill Drive drainage system, Tibbitts Road culvert, Raccoon Hill outfall, Gildersleeve Drive culvert, Emerald Glen and Wisner Road North streambank stabilization. Other capital asset additions include building improvements to City Hall, 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	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$796,000	\$918,500	\$264,800	\$270,200	\$1,060,800	\$1,188,700
Capital Leases	52,735	69,277	0	0	52,735	69,277
OPWC Loans	73,607	77,723	92,272	99,370	165,879	177,093
Long-Term Notes	2,029,988	2,433,331	0	0	2,029,988	2,433,331
Short-Term Notes	401,347	617,186	0	0	401,347	617,186
Total	\$3,353,677	\$4,116,017	\$357,072	\$369,570	\$3,710,749	\$4,485,587

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

In 2020, the City issued \$2,431,335 in general obligation notes which were used to retire the 2019 \$3,050,517 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 6,800, 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. In 2020, ground was broken on an 8,000 square-foot event barn on 14 acres in the City's Historic District. The barn is designed to accommodate events with over 300 guests and includes five ceremonial settings. The complex also includes a 5,000 square foot Inn accommodating overnight guests with 13 available suites.

The City of Kirtland remains focused on a comprehensive road program. With limited resources and the expiration of the City's Road Levy, the 2020 Road Program was limited to the Emerald Glen Resurfacing Project. The program will be expanded upon in 2021 with the issuance of \$2 million of general obligation bond anticipation notes with an interest rate of one percent.

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 debt levels. The Mayor annually presents an updated five-year capital budget as part of the annual budget which anticipates future capital spending requirements. The City strives to operate within its means and has recently exemplified this by issuing no new additional debt in 2020.

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, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,252,303	\$179,849	\$3,432,152
Materials and Supplies Inventory	258,003	0	258,003
Accounts Receivable	28,458	450	28,908
Intergovernmental Receivable	482,307	0	482,307
Prepaid Items	51,463	0	51,463
Municipal Income Taxes Receivable	1,198,415	0	1,198,415
Property Taxes Receivable	1,656,113	0	1,656,113
Net Pension Asset	10,601	107	10,708
Non-Depreciable Capital Assets	2,001,096	124,417	2,125,513
Depreciable Capital Assets, Net	12,257,262	1,982,923	14,240,185
<i>Total Assets</i>	<u>21,196,021</u>	<u>2,287,746</u>	<u>23,483,767</u>
Deferred Outflows of Resources			
Pension	1,061,633	3,153	1,064,786
OPEB	728,064	2,324	730,388
<i>Total Deferred Outflows of Resources</i>	<u>1,789,697</u>	<u>5,477</u>	<u>1,795,174</u>
Liabilities			
Accounts Payable	63,946	1,642	65,588
Contracts Payable	160,761	2,076	162,837
Deposits Held Payable	468,095	0	468,095
Accrued Wages and Benefits	189,790	723	190,513
Vacation Benefits Payable	113,790	0	113,790
Intergovernmental Payable	64,375	12,096	76,471
Accrued Interest Payable	19,621	6,758	26,379
Unearned Revenue	12,118	0	12,118
Notes Payable	401,347	0	401,347
Long-Term Liabilities:			
Due Within One Year	216,855	26,994	243,849
Due In More Than One Year:			
Net Pension Liability (See Note 13)	6,484,187	22,069	6,506,256
Net OPEB Liability (See Note 14)	2,077,041	14,613	2,091,654
Other Amounts Due In More Than One Year	3,017,387	330,078	3,347,465
<i>Total Liabilities</i>	<u>13,289,313</u>	<u>417,049</u>	<u>13,706,362</u>
Deferred Inflows of Resources			
Property Taxes	1,592,499	0	1,592,499
Pension	1,262,600	6,298	1,268,898
OPEB	665,850	2,915	668,765
<i>Total Deferred Inflows of Resources</i>	<u>3,520,949</u>	<u>9,213</u>	<u>3,530,162</u>
Net Position			
Net Investment in Capital Assets	10,823,618	1,750,268	12,573,886
Restricted for:			
Capital Projects	329,989	0	329,989
Debt Service	32,201	0	32,201
Other Purposes	1,238,769	0	1,238,769
Unrestricted (Deficit)	(6,249,121)	116,693	(6,132,428)
<i>Total Net Position</i>	<u>\$6,175,456</u>	<u>\$1,866,961</u>	<u>\$8,042,417</u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
Governmental Activities				
General Government	\$1,728,772	\$155,201	\$63,813	\$0
Security of Persons and Property	4,293,175	405,559	763,357	0
Transportation	1,315,151	12,016	496,619	350,187
Public Health and Welfare	96,060	9,165	0	0
Community Environment	137,174	12,146	0	0
Leisure Time Activities	221,330	2,086	87,079	0
Interest and Fiscal Charges	38,906	0	0	0
<i>Total Governmental Activities</i>	7,830,568	596,173	1,410,868	350,187
Business-Type Activities				
Waste Water	159,392	107,029	0	0
<i>Total</i>	\$7,989,960	\$703,202	\$1,410,868	\$350,187

General Revenues

Property Taxes Levied for:
General Purposes
Fire Operating
Fire Emergency
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

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

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
(\$1,509,758)	\$0	(\$1,509,758)
(3,124,259)	0	(3,124,259)
(456,329)	0	(456,329)
(86,895)	0	(86,895)
(125,028)	0	(125,028)
(132,165)	0	(132,165)
(38,906)	0	(38,906)
(5,473,340)	0	(5,473,340)
0	(52,363)	(52,363)
(5,473,340)	(52,363)	(5,525,703)
645,220	0	645,220
129,374	0	129,374
602,682	0	602,682
99,411	0	99,411
71,254	0	71,254
132,876	0	132,876
3,808,155	0	3,808,155
695,637	0	695,637
4,378	0	4,378
97,150	0	97,150
6,286,137	0	6,286,137
(6,400)	6,400	0
6,279,737	6,400	6,286,137
806,397	(45,963)	760,434
5,369,059	1,912,924	7,281,983
<u>\$6,175,456</u>	<u>\$1,866,961</u>	<u>\$8,042,417</u>

City of Kirtland, Ohio

*Balance Sheet
Governmental Funds
December 31, 2020*

	General	Fire Emergency Levy	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,561,130	\$51,607	\$1,171,471	\$2,784,208
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	468,095	0	0	468,095
Materials and Supplies Inventory	141,524	0	116,479	258,003
Accounts Receivable	5,006	0	23,452	28,458
Intergovernmental Receivable	178,215	42,885	261,207	482,307
Prepaid Items	51,463	0	0	51,463
Municipal Income Taxes Receivable	1,198,415	0	0	1,198,415
Property Taxes Receivable	634,319	595,742	426,052	1,656,113
<i>Total Assets</i>	<u>\$4,238,167</u>	<u>\$690,234</u>	<u>\$1,998,661</u>	<u>\$6,927,062</u>
Liabilities				
Accounts Payable	\$59,512	\$0	\$4,434	\$63,946
Contracts Payable	16,861	0	143,900	160,761
Deposits Held Payable	468,095	0	0	468,095
Accrued Wages and Benefits	189,790	0	0	189,790
Intergovernmental Payable	64,375	0	0	64,375
Unearned Revenue	0	0	12,118	12,118
Accrued Interest Payable	1,660	0	1,322	2,982
Notes Payable	223,419	0	177,928	401,347
<i>Total Liabilities</i>	<u>1,023,712</u>	<u>0</u>	<u>339,702</u>	<u>1,363,414</u>
Deferred Inflows of Resources				
Property Taxes	609,266	572,812	410,421	1,592,499
Unavailable Revenue	1,132,490	65,815	247,164	1,445,469
<i>Total Deferred Inflows of Resources</i>	<u>1,741,756</u>	<u>638,627</u>	<u>657,585</u>	<u>3,037,968</u>
Fund Balances				
Nonspendable	192,987	0	116,479	309,466
Restricted	0	51,607	954,375	1,005,982
Committed	0	0	7,925	7,925
Assigned	772,218	0	0	772,218
Unassigned (Deficit)	507,494	0	(77,405)	430,089
<i>Total Fund Balances (Deficit)</i>	<u>1,472,699</u>	<u>51,607</u>	<u>1,001,374</u>	<u>2,525,680</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$4,238,167</u>	<u>\$690,234</u>	<u>\$1,998,661</u>	<u>\$6,927,062</u>

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, 2020*

Total Governmental Fund Balances	\$2,525,680
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,258,358
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	63,614
Municipal Income Taxes	957,407
Intergovernmental	411,322
Rentals	209
Charges for Services	<u>12,917</u>
Total	1,445,469
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(16,639)
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.	(113,790)
Long-term liabilities are not due and payable in the current period therefore are not reported in the funds:	
General Obligation Bonds	(796,000)
OPWC Loans	(73,607)
General Obligation Notes	(2,029,988)
Compensated Absences	(281,912)
Capital Leases	<u>(52,735)</u>
Total	(3,234,242)
The net pension asset/liability and net OPEB liability are not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in the governmental funds:	
Net Pension Asset	10,601
Deferred Outflows - Pension	1,061,633
Net Pension Liability	(6,484,187)
Deferred Inflows - Pension	(1,262,600)
Deferred Outflows - OPEB	728,064
Net OPEB Liability	(2,077,041)
Deferred Inflows - OPEB	<u>(665,850)</u>
Total	<u>(8,689,380)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$6,175,456</u></u>

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, 2020

	General	Fire Emergency Levy	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$652,452	\$609,360	\$437,397	\$1,699,209
Municipal Income Taxes	3,831,824	0	0	3,831,824
Charges for Services	49,414	0	167,290	216,704
Licenses and Permits	117,814	0	0	117,814
Fines and Forfeitures	40,863	0	464	41,327
Intergovernmental	627,517	85,769	1,806,122	2,519,408
Rentals	210,644	0	0	210,644
Interest	4,107	0	271	4,378
Miscellaneous	94,137	0	3,013	97,150
<i>Total Revenues</i>	<u>5,628,772</u>	<u>695,129</u>	<u>2,414,557</u>	<u>8,738,458</u>
Expenditures				
Current:				
General Government	1,621,675	0	53,072	1,674,747
Security of Persons and Property	2,358,481	679,978	984,593	4,023,052
Transportation	144,305	0	486,356	630,661
Public Health and Welfare	96,060	0	0	96,060
Community Environment	126,705	0	0	126,705
Leisure Time Activities	28,419	0	144,065	172,484
Capital Outlay	0	0	482,356	482,356
Debt Service:				
Principal Retirement	221,000	0	319,158	540,158
Refunding Notes Redeemed	1,709,000	0	299,000	2,008,000
Note Issuance Costs	0	0	7,256	7,256
Interest and Fiscal Charges	54,898	0	30,591	85,489
<i>Total Expenditures</i>	<u>6,360,543</u>	<u>679,978</u>	<u>2,806,447</u>	<u>9,846,968</u>
<i>Excess of Revenues Over Over (Under) Expenditures</i>	<u>(731,771)</u>	<u>15,151</u>	<u>(391,890)</u>	<u>(1,108,510)</u>
Other Financing Sources (Uses)				
General Obligation Refunding Notes Issued	1,727,715	0	302,273	2,029,988
Transfers In	0	0	391,641	391,641
Transfers Out	(211,476)	0	(186,565)	(398,041)
<i>Total Other Financing Sources (Uses)</i>	<u>1,516,239</u>	<u>0</u>	<u>507,349</u>	<u>2,023,588</u>
<i>Net Change in Fund Balances</i>	784,468	15,151	115,459	915,078
<i>Fund Balances Beginning of Year</i>	<u>688,231</u>	<u>36,456</u>	<u>885,915</u>	<u>1,610,602</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,472,699</u>	<u>\$51,607</u>	<u>\$1,001,374</u>	<u>\$2,525,680</u>

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, 2020*

Net Change in Fund Balances - Total Governmental Funds		\$915,078
<i>Amounts reported for governmental activities in the statements of activities are different because:</i>		
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 depreciation exceeded capital outlay in the current period:		
Capital Asset Additions	950,803	
Current Year Depreciation	(978,091)	
Total		(27,288)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(122,749)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(18,392)	
Municipal Income Taxes	(23,669)	
Intergovernmental	(62,716)	
Rentals	(3,233)	
Charges for Services	12,917	
Total		(95,093)
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	18,252	
Amortization of Bond Premium	28,331	
Total		46,583
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	19,811	
Vacation Benefits	862	
Total		20,673
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.		
		2,548,158
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position:		
General Obligation Notes Issued		(2,029,988)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows.		
Pension	530,456	
OPEB	8,049	
Total		538,505
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	(812,704)	
OPEB	(174,778)	
Total		(987,482)
<i>Change in Net Position of Governmental Activities</i>		\$806,397

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, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property Taxes	\$648,446	\$648,446	\$652,452	\$4,006
Municipal Income Taxes	3,793,337	3,778,322	3,823,085	44,763
Charges for Services	50,238	50,039	50,632	593
Licenses and Permits	29,139	29,024	100,659	71,635
Fines and Forfeitures	36,345	36,201	36,630	429
Intergovernmental	774,850	771,783	780,927	9,144
Rentals	210,730	209,896	212,383	2,487
Interest	4,075	4,059	4,107	48
Miscellaneous	85,537	85,210	86,189	979
<i>Total Revenues</i>	<u>5,632,697</u>	<u>5,612,980</u>	<u>5,747,064</u>	<u>134,084</u>
Expenditures				
Current:				
General Government	2,335,558	2,124,513	1,830,125	294,388
Security of Persons and Property	2,885,374	2,741,825	2,502,924	238,901
Transportation	185,964	272,083	177,002	95,081
Public Health and Welfare	97,059	97,059	97,058	1
Community Environment	165,115	144,407	134,078	10,329
Leisure Time Activities	131,680	54,222	40,714	13,508
<i>Total Expenditures</i>	<u>5,800,750</u>	<u>5,434,109</u>	<u>4,781,901</u>	<u>652,208</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(168,053)	178,871	965,163	786,292
Other Financing Sources (Uses)				
Transfers Out	(480,292)	(480,292)	(480,292)	0
<i>Net Change in Fund Balance</i>	(648,345)	(301,421)	484,871	786,292
<i>Fund Balance Beginning of Year</i>	978,823	978,823	978,823	0
Prior Year Encumbrances Appropriated	163,072	163,072	163,072	0
<i>Fund Balance End of Year</i>	<u>\$493,550</u>	<u>\$840,474</u>	<u>\$1,626,766</u>	<u>\$786,292</u>

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, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Property Taxes	\$578,442	\$607,858	\$609,360	\$1,502
Intergovernmental	84,310	84,310	85,769	1,459
<i>Total Revenues</i>	662,752	692,168	695,129	2,961
Expenditures				
Current:				
Security of Persons and Property	685,336	700,229	679,978	20,251
<i>Net Change in Fund Balance</i>	(22,584)	(8,061)	15,151	23,212
<i>Fund Balance Beginning of Year</i>	36,456	36,456	36,456	0
<i>Fund Balance End of Year</i>	<u>\$13,872</u>	<u>\$28,395</u>	<u>\$51,607</u>	<u>\$23,212</u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2020

	Waste Water
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$179,849
Accounts	450
<i>Total Current Assets</i>	180,299
<i>Noncurrent Assets</i>	
Net Pension Asset	107
Non-Depreciable Capital Assets	124,417
Depreciable Capital Assets, Net	1,982,923
<i>Total Noncurrent Assets</i>	2,107,447
<i>Total Assets</i>	2,287,746
Deferred Outflows of Resources	
Pension	3,153
OPEB	2,324
<i>Total Deferred Outflows of Resources</i>	5,477
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	1,642
Contracts Payable	2,076
Accrued Wages and Benefits	723
Intergovernmental Payable	12,096
Accrued Interest Payable	6,758
Bonds Payable	5,700
OPWC Loans Payable	21,294
<i>Total Current Liabilities</i>	50,289
<i>Long-Term Liabilities (net of current portion)</i>	
Bonds Payable	259,100
OPWC Loans Payable	70,978
Net Pension Liability	22,069
Net OPEB Liability	14,613
<i>Total Long-Term Liabilities</i>	366,760
<i>Total Liabilities</i>	417,049
Deferred Inflows of Resources	
Pension	6,298
OPEB	2,915
<i>Total Inflows Outflows of Resources</i>	9,213
Net Position	
Net Investment in Capital Assets	1,750,268
Unrestricted	116,693
<i>Total Net Position</i>	\$1,866,961

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, 2020*

	Waste Water
Operating Revenues	
Charges for Services	\$107,029
Operating Expenses	
Personal Services	27,828
Services and Supplies	49,470
Depreciation	63,300
<i>Total Operating Expenses</i>	140,598
<i>Operating Income (Loss)</i>	(33,569)
Non Operating Revenues (Expenses)	
Interest and Fiscal Charges	(18,794)
<i>Income (Loss) before Transfers</i>	(52,363)
Transfers In	6,400
<i>Change in Net Position</i>	(45,963)
<i>Net Position Beginning of Year</i>	1,912,924
<i>Net Position End of Year</i>	\$1,866,961

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2020

	Waste Water
Increases (Decreases) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$106,579
Cash Payments to Suppliers for Services and Supplies	(79,248)
Cash Payments for Employee Services and Benefits	(26,233)
	1,098
<i>Net Cash Provided by (Used for) Operating Activities</i>	
Cash Flows from Noncapital Financing Activities	
Transfers In	6,400
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bonds	(5,400)
Interest Paid on Bonds	(18,951)
Principal Paid on OPWC Loans	(7,098)
	(31,449)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	
Net Increase (Decrease) in Cash and Cash Equivalents	(23,951)
<i>Cash and Cash Equivalents Beginning of Year</i>	203,800
<i>Cash and Cash Equivalents End of Year</i>	\$179,849
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	(\$33,569)
<i>Adjustments:</i>	
Depreciation	63,300
 (Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	(450)
Net Pension Asset	(16)
Deferred Outflows - Pension	4,991
Deferred Outflows - OPEB	2,114
 Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	619
Contracts Payable	2,076
Accrued Wages and Benefits	191
Intergovernmental Payable	(32,881)
Net Pension Liability	501
Net OPEB Liability	890
Deferred Inflows - Pension	(4,843)
Deferred Inflows - OPEB	(1,825)
	34,667
<i>Total Adjustments</i>	34,667
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$1,098
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, 2020

	Cemetery
Additions	\$0
Deductions	
Other Distributions	2,386
<i>Change in Net Position</i>	(2,386)
<i>Net Position Beginning of Year</i>	2,386
<i>Net Position End of Year</i>	\$0

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City's only fiduciary fund is a private purpose trust for its cemetery.

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 and fiduciary 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 fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and 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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, 2020, but which were levied to finance fiscal year 2021 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 19. 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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City 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 2020, 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 2020, 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 \$100 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 2020 amounted to \$4,107, which includes \$1,520 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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, 2020, 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.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside for deposits held at the City.

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:

<u>Description</u>	<u>Estimated Lives</u>
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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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. State statute authorizes the Finance Director to assign fund balances for purchases on order provided amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenues and appropriations in 2021’s budget.

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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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

For 2020, the City implemented the Governmental Accounting Standard Board's (GASB) Statement No. 83, Certain Asset Retirement Obligations. GASB Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The implementation of GASB Statement No. 83 had no effect on net position as of December 31, 2019.

Note 4 – Accountability

Accountability

The following funds had deficit fund balances as of December 31, 2020:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Capital Projects Funds:	
Sperry Road	\$5,093
Tibbetts Road Resurfacing	6,111
Worrell Road	2,037
SR 306 and SR 6 - Various Projects	64,164

The deficit in the Sperry Road, Tibbetts Road Resurfacing, Worrell Road, School Crosswalk and State Route 306 and 6 capital projects funds are the result 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 funds and provides transfers when cash is required, rather than when accruals occur.

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	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>				
Prepays	\$51,463	\$0	\$0	\$51,463
Inventory	141,524	0	116,479	258,003
<i>Total Nonspendable</i>	192,987	0	116,479	309,466
<u>Restricted for:</u>				
Police Department Operations	0	0	44,804	44,804
Police Pension	0	0	51,624	51,624
Fire Department Operations	0	51,607	25,000	76,607
Road Levy	0	0	108,886	108,886
Senior Citizens	0	0	271,348	271,348
Street and Highway Construction, Maintenance and Repair	0	0	109,785	109,785
Capital Projects	0	0	240,517	240,517
Debt Service	0	0	48,840	48,840
Other Purposes	0	0	53,571	53,571
<i>Total Restricted</i>	0	51,607	954,375	1,005,982
<u>Committed to:</u>				
Capital Projects	0	0	7,925	7,925
<u>Assigned to:</u>				
Year 2021 Operations	772,218	0	0	772,218
Unassigned (Deficit)	507,494	0	(77,405)	430,089
Total Fund Balances (Deficit)	\$1,472,699	\$51,607	\$1,001,374	\$2,525,680

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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).
- 4) Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

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
GAAP Basis	\$784,468	\$15,151
Net Adjustment for Revenue Accruals	(1,860,296)	0
Ending Unrecorded Cash	27,454	0
Net Adjustment for Expenditure Accruals	1,765,773	0
Proceeds of Notes	223,419	0
Principal Retirement	(80,942)	0
Encumbrances	(375,005)	0
Budget Basis	\$484,871	\$15,151

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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, 2020, \$1,327,462 of the City's total bank balance of \$2,904,925 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, 2020, the City had \$612,983 invested in STAR Ohio with an average maturity of 55.8 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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 8 – Receivables

Receivables at December 31, 2020, 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 2020 for real and public utility property taxes represents collections of 2019 taxes.

2020 real property taxes were levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2020, was \$11.05 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

	<u>Assessed Values</u>
Real Property	
Residential/Agricultural	\$247,841,260
Other Real Estate	14,125,820
Public Utility Personal Property	<u>10,027,770</u>
Total Valuation	<u>\$271,994,850</u>

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, 2020, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2020 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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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. Payments are remitted monthly net of collection fees of approximately 2 percent.

In March of 2020, Ohio's General Assembly passed House Bill 197 which addressed various topics, including income tax collection. This legislation indicated that for the period of the state of emergency related to COVID-19 declared on March 9, 2020, and for thirty days after the conclusion of that period, any day on which an employee performs personal services at a location, including the employee's home, to which the employee is required to report for employment duties because of the declaration shall be deemed to be a day performing personal services at the employee's principal place of work. The provisions of this legislation are being challenged in court, and the ultimate disposition is not known. The City's income tax receivable/revenue has been calculated consistent with the provisions of House Bill 197

Intergovernmental Receivable

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

Governmental Activities	Amount
Gasoline Tax	\$174,727
Local Government	123,163
Homestead and Rollback	116,223
Permissive Tax	25,323
Motor Vehicle License Tax	19,124
Gasoline Excise Tax	14,170
Lake County	4,375
Willoughby Municipal Court	4,173
Ohio Bureau of Workers' Compensation	1,029
Total	\$482,307

Note 9 – Interfund Transfers

Interfund Transfers

The general fund transferred \$77,500 to the police pension special revenue fund for police pensions, \$127,576 to the capital improvement capital projects fund for capital expenditures and \$6,400 to the sewer enterprise fund for payments for assessments. The storm sewer capital projects fund transferred \$99,392 to the storm sewer improvements capital projects fund to cover capital expenditures. The Raccoon Hill culvert capital projects fund transferred \$7,925 to the storm sewer improvements fund to cover capital expenditures. The Eagle Road project capital projects fund transferred \$4,248 to the street improvement fund to cover capital expenditures. The major capital equipment special revenue fund transferred \$75,000 to the general obligation bond retirement fund for debt payment requirements.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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, 2020, was as follows:

	Balance 12/31/2019	Additions	Deductions	Balance 12/31/2020
Governmental Activities:				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,364,602	\$0	\$0	\$1,364,602
Construction in Progress	532,488	354,811	(250,805)	636,494
<i>Total Capital Assets, not being depreciated</i>	<u>1,897,090</u>	<u>354,811</u>	<u>(250,805)</u>	<u>2,001,096</u>
<i>Capital Assets, being depreciated</i>				
Buildings, Structures and Improvements	6,499,362	41,079	0	6,540,441
Machinery and Equipment	6,009,740	480,111	(154,256)	6,335,595
Infrastructure:				
Roads	35,540,777	74,802	0	35,615,579
Storm Sewer	1,032,484	250,805	0	1,283,289
<i>Total Capital Assets, being depreciated</i>	<u>49,082,363</u>	<u>846,797</u>	<u>(154,256)</u>	<u>49,774,904</u>
<i>Less Accumulated Depreciation:</i>				
Buildings, Structures and Improvements	(4,051,427)	(164,861)	0	(4,216,288)
Machinery and Equipment	(4,339,798)	(296,532)	31,507	(4,604,823)
Infrastructure:				
Roads	(27,444,173)	(473,006)	0	(27,917,179)
Storm Sewer	(735,660)	(43,692)	0	(779,352)
<i>Total Accumulated Depreciation</i>	<u>(36,571,058)</u>	<u>(978,091) *</u>	<u>31,507</u>	<u>(37,517,642)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>12,511,305</u>	<u>(131,294)</u>	<u>(122,749)</u>	<u>12,257,262</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$14,408,395</u>	<u>\$223,517</u>	<u>(\$373,554)</u>	<u>\$14,258,358</u>

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

* Depreciation expense was charged to governmental activities as follows:

General Government	\$70,468
Security of Persons and Property	184,299
Transportation	663,607
Community Environment	2,714
Leisure Time Activities	<u>57,003</u>
Total	<u><u>\$978,091</u></u>

	Balance 12/31/2019	Additions	Deductions	Balance 12/31/2020
Business-Type Activities:				
<i>Capital Assets, not being depreciated</i>				
Land	\$124,417	\$0	\$0	\$124,417
<i>Capital Assets, being depreciated</i>				
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
<i>Total Capital Assets, being depreciated</i>	<u>3,009,652</u>	<u>0</u>	<u>0</u>	<u>3,009,652</u>
<i>Less Accumulated Depreciation:</i>				
Buildings, Structures and Improvements	(146,168)	(3,968)	0	(150,136)
Machinery and Equipment	(39,470)	(1,814)	0	(41,284)
Infrastructure:				
Sewer Lines	(777,791)	(57,518)	0	(835,309)
<i>Total Accumulated Depreciation</i>	<u>(963,429)</u>	<u>(63,300)</u>	<u>0</u>	<u>(1,026,729)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>2,046,223</u>	<u>(63,300)</u>	<u>0</u>	<u>1,982,923</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$2,170,640</u>	<u>(\$63,300)</u>	<u>\$0</u>	<u>\$2,107,340</u>

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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 2020, the City contracted with various insurance agencies for various types of insurance. The type, coverage, and deductibles for the City’s insurance follows:

<u>Type</u>	<u>Coverage</u>	<u>Deductible</u>
Wichert Insurance Agency:		
Commercial Property	\$12,962,923	\$1,000
Earthquake and Flood	500,000	25,000
Boiler Machinery and Machinery	12,962,923	1,000
Leased/Rental Equipment	185,000	1,000
Inland Marine	862,770	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 (Asset)

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

The net pension/OPEB liability (asset) represent the 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.

City of Kirtland, Ohio
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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)

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. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional 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 traditional 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 Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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	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	Traditional Plan Formula: 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: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	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	Combined Plan Formula: 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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). 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 on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that 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 annuitization of the benefit (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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2020 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 2020, The City's contractually required contribution was \$187,435 for the traditional plan, \$7,816 for the combined plan and \$538 for the member-directed plan. Of these amounts, \$5,037 is reported as an intergovernmental payable for the traditional plan, \$210 for the combined plan, and \$14 for the member-directed plan.

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

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.

City of Kirtland, Ohio
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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 Comprehensive Annual Financial Report 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, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	Police	Firefighters
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2020 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 \$337,157 for 2020. Of this amount, \$11,549 is reported as an intergovernmental payable.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2019, 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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 <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.011165%	0.005135%	0.0638224%	
Prior Measurement Date	<u>0.012341%</u>	<u>0.006258%</u>	<u>0.0648340%</u>	
Change in Proportionate Share	<u>-0.001176%</u>	<u>-0.001123%</u>	<u>-0.0010116%</u>	
Proportionate Share of the:				
Net Pension Liability	\$2,206,838	\$0	\$4,299,418	\$6,506,256
Net Pension Asset	0	(10,708)	0	(10,708)
Pension Expense	257,691	940	556,658	815,289

2020 pension expense for the member-directed defined contribution plan was \$384. The aggregate pension expense for all pension plans was \$815,673 for 2020.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
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	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$0	\$0	\$162,746	\$162,746
Changes of assumptions	117,871	1,104	105,539	224,514
Changes in proportion and differences between City contributions and proportionate share of contributions	0	1,146	143,972	145,118
City contributions subsequent to the measurement date	187,435	7,816	337,157	532,408
Total Deferred Outflows of Resources	\$305,306	\$10,066	\$749,414	\$1,064,786
Deferred Inflows of Resources				
Differences between expected and actual experience	\$27,903	\$2,514	\$221,739	\$252,156
Net difference between projected and actual earnings on pension plan investments	440,215	1,389	207,696	649,300
Changes in proportion and differences between City contributions and proportionate share of contributions	155,100	2,728	209,614	367,442
Total Deferred Inflows of Resources	\$623,218	\$6,631	\$639,049	\$1,268,898

\$532,408 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 2021. 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:				
2021	(\$151,278)	(\$950)	(\$38,873)	(\$191,101)
2022	(197,503)	(925)	(28,540)	(226,968)
2023	18,230	(535)	69,080	86,775
2024	(174,796)	(1,046)	(204,734)	(380,576)
2025	0	(411)	(23,725)	(24,136)
Thereafter	0	(514)	0	(514)
Total	(\$505,347)	(\$4,381)	(\$226,792)	(\$736,520)

City of Kirtland, Ohio
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Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2019, 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, 2019, 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	1.4 percent, simple through 2020, then 2.15 percent, simple	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.

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.

During 2019, 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.

City of Kirtland, Ohio
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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 17.2 percent for 2019.

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 long-term expected 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 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 for the traditional pension plan, combined plan and member-directed plan 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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

City of Kirtland, Ohio
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	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$3,639,790	\$2,206,838	\$918,656
OPERS Combined Plan	(6,470)	(10,708)	(13,762)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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 the value 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, 2019, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
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	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases 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 Buck 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 Buck Modified 2016 Improvement Scale.

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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 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, 2019, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
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 The total pension liability was calculated using the discount rate of 8.00 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 of 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.

City of Kirtland, Ohio
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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	\$5,958,844	\$4,299,418	\$2,911,473

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)

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 postemployment 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 separation, 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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 Comprehensive Annual Financial Report 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.

City of Kirtland, Ohio
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Funding Policy - The Ohio Revised Code provides the statutory authority allowing 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. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, 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. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2020 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 \$154 for 2020. Of this amount, \$4 is reported as an intergovernmental payable.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental 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.

City of Kirtland, Ohio
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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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, 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.

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 \$7,897 for 2020. Of this amount, \$276 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, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. 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	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.010579%	0.0638224%	
Prior Measurement Date	0.011681%	0.0648340%	
Change in Proportionate Share	-0.001102%	-0.0010116%	
			Total
Proportionate Share of the Net OPEB Liability	\$1,461,234	\$630,420	\$2,091,654
OPEB Expense	\$117,912	\$58,047	\$175,959

City of Kirtland, Ohio
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At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$39	\$0	\$39
Changes of assumptions	231,298	368,569	599,867
Changes in proportion and differences between City contributions and proportionate share of contributions	1,077	121,354	122,431
City contributions subsequent to the measurement date	<u>154</u>	<u>7,897</u>	<u>8,051</u>
Total Deferred Outflows of Resources	<u>\$232,568</u>	<u>\$497,820</u>	<u>\$730,388</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$133,636	\$67,796	\$201,432
Changes of assumptions	0	134,352	134,352
Net difference between projected and actual earnings on OPEB plan investments	74,406	29,010	103,416
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>83,403</u>	<u>146,162</u>	<u>229,565</u>
Total Deferred Inflows of Resources	<u>\$291,445</u>	<u>\$377,320</u>	<u>\$668,765</u>

\$8,051 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 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2021	(\$10,866)	\$18,383	\$7,517
2022	(16,430)	18,383	1,953
2023	60	24,334	24,394
2024	(31,795)	14,952	(16,843)
2025	0	23,070	23,070
Thereafter	<u>0</u>	<u>13,481</u>	<u>13,481</u>
Total	<u>(\$59,031)</u>	<u>\$112,603</u>	<u>\$53,572</u>

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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 health care costs 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 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, 2018, rolled forward to the measurement date of December 31, 2019. 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	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.50 percent, ultimate in 2030
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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.

During 2019, 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, if any contribution are made into the plans, the contributions are

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assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. 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 was 19.7 percent for 2019.

The allocation of investment assets within 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 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 6.00 percent and a municipal bond rate of 2.75 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 3.16 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 (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

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	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$1,912,260	\$1,461,234	\$1,100,110

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 2020 is 10.50 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 3.50 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	\$1,418,115	\$1,461,234	\$1,503,805

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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 the value 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.

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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, 2019, with actuarial liabilities rolled forward to December 31, 2019
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	3.25 percent
Single discount rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 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 Buck 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 Buck 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.

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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 For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 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 of 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 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 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 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 3.56 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 (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$781,681	\$630,420	\$504,734

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

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

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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 with the City is paid at their current rate of pay up to a maximum of 480 hours of unused sick leave. Any remaining time is paid at a rate of \$20 for each eight hours of sick time.

Social Security

Some City employees pay into Social Security. The City's liability is 6.2 percent of wages.

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 \$200 per month effective January 2018. Guardian provides dental, vision and life insurance at no cost to employees. Full-time employees are covered under the City's group term life and accidental death and dismemberment in the amount of \$20,000. Furthermore, eligible employees have the option of purchasing additional life insurance in increments of \$10,000 with a maximum of \$300,000.

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 \$54 per month.

Note 17 – Short-Term Obligations

A summary of note transactions for the year ended December 31, 2020 follows:

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20
General Fund:				
Truck (Service Department) - 2013	\$15,177	\$20,219	(\$15,177)	\$20,219
Truck (Service Department) - 2014	15,177	15,164	(15,177)	15,164
Computer System Upgrades - 2014	15,177	15,164	(15,177)	15,164
Roof HVAC System (City Hall) - 2016	10,118	15,164	(10,118)	15,164
Plow Truck (Service Department) - 2017	20,234	36,394	(20,234)	36,394
Roof HVAC System (Fire Station) - 2017	5,059	7,077	(5,059)	7,077
Arborhurst & Singlefoot Rds - 2020	0	10,109	0	10,109
Road Equipment - 2020	0	8,088	0	8,088
Safety System Upgrade - 2020	0	77,843	0	77,843
Fire Squad - 2020	0	18,197	0	18,197
Total General Fund	<u>\$80,942</u>	<u>\$223,419</u>	<u>(\$80,942)</u>	<u>\$223,419</u>

(continued)

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(continued)	Balance 12/31/19	Additions	Reductions	Balance 12/31/20
Sperry Road Improvements:				
Road Improvements - 2015	\$5,059	\$5,055	(\$5,059)	\$5,055
Tibbetts Road Fund:				
Tibbetts Road Completion - 2014	5,059	6,066	(5,059)	6,066
Wisner Road Stabilization Fund:				
Wisner Road Stabilization - 2020	0	101,095	0	101,095
Worrell Road Resurfacing Fund:				
Worrell Road Resurfacing - 2020	0	2,022	0	2,022
State Route 306 and 6 Fund:				
State Route 306 Slope Stabilization	0	3,033	0	3,033
State Route 6 and Sperry Road	5,059	40,438	(5,059)	40,438
State Route 6 Resurfacing	10,118	15,164	(10,118)	15,164
Lakeland Turn Lanes (Phase II) - 2014	5,059	5,055	(5,059)	5,055
State Route 306 Road Construction	505,890	0	(505,890)	0
Total State Route 306 and 6 Fund	526,126	63,690	(526,126)	63,690
Total	\$617,186	\$401,347	(\$617,186)	\$401,347

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 17, 2021 and the notes have an interest rate of 1.5 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 \$401,347 liability above represents the portion of these notes which will be paid down in 2021. 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:

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Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Enterprise General Obligation Bonds:</i>			
Templeview Sewer Project Bond - 2006	4.375%	\$323,000	June 1, 2046
<i>Enterprise Ohio Public Works Commission Loans:</i>			
Templeview Sewer - 2003	0.00	283,915	July 1, 2026
<i>General Obligation Bonds:</i>			
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
<i>From Direct Borrowings:</i>			
<i>Ohio Public Works Commission Loans:</i>			
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
<i>Long-term Notes:</i>			
Truck (Service Department) - 2013	1.50	50,548	June 17, 2021
Truck (Service Department) - 2014	1.50	101,095	June 17, 2021
Plow Truck - Service Department - 2015	1.50	105,139	June 17, 2021
Roof and HVAC System (City Hall) - 2015	1.50	202,190	June 17, 2021
Roof and HVAC System (Fire Station) - 2015	1.50	78,854	June 17, 2021
Computer System Upgrades - 2014	1.50	20,219	June 17, 2021
Arborhurst and Singlefoot Roads - 2016	1.50	192,081	June 17, 2021
Road Equipment - 2016	1.50	77,843	June 17, 2021
Fire Squad - 2016	1.50	168,829	June 17, 2021
Fire Engine - 2017	1.50	404,380	June 17, 2021
City Hall Roof (Phase II) - 2017	1.50	101,095	June 17, 2021
Safety System Upgrade - 2018	1.50	73,799	June 17, 2021
Service Department Vehicle - 2018	1.50	151,643	June 17, 2021
Sperry Road Improvements - 2015	1.50	15,164	June 17, 2021
Tibbetts Road Completion - 2014	1.50	14,153	June 17, 2021
Worrell Road Resurfacing - 2016	1.50	33,361	June 17, 2021
School Crosswalk - 2018	1.50	101,095	June 17, 2021
State Route 6 Resurfacing - 2012	1.50	50,548	June 17, 2021
Lakeland Turn Lanes (Phase II) - 2014	1.50	35,383	June 17, 2021
State Route 306 Slope Stabilization - 2016	1.50	52,569	June 17, 2021

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

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Various Purpose Refunding Bonds 2016:					
State Route 306 Improvement	\$483,300	\$0	(\$64,458)	\$418,842	\$65,773
Parks and Recreation Purposes	297,769	0	(39,713)	258,056	40,524
Service Facility	91,621	0	(12,219)	79,402	12,469
Senior Center	45,810	0	(6,110)	39,700	6,234
<i>Total General Obligation Bonds</i>	<u>918,500</u>	<u>0</u>	<u>(122,500)</u>	<u>796,000</u>	<u>125,000</u>
Loans from Direct Borrowings:					
OPWC Loans:					
Route 306 Widening, Phase II 2005	16,250	0	(1,250)	15,000	3,750
Route 306 and Route 6 Intersection	28,948	0	(1,316)	27,632	3,948
Route 306 at Lakeland Community College	32,525	0	(1,550)	30,975	4,650
<i>Total Loans from Direct Borrowings</i>	<u>77,723</u>	<u>0</u>	<u>(4,116)</u>	<u>73,607</u>	<u>12,348</u>
Long-Term Notes Payable:					
Truck (Service Department) - 2013	70,915	50,548	(70,915)	50,548	0
Truck (Service Department) - 2014	116,501	101,095	(116,501)	101,095	0
Plow Truck (Service Department) - 2015	141,828	105,139	(141,828)	105,139	0
Roof and HVAC System (City Hall)	217,807	202,190	(217,807)	202,190	0
Roof and HVAC System (Fire Station)	86,110	78,854	(86,110)	78,854	0
Computer System Upgrades - 2014	35,457	20,219	(35,457)	20,219	0
Arborhurst and Singlefoot Roads - 2016	202,611	192,081	(202,611)	192,081	0
Road Equipment - 2016	86,110	77,843	(86,110)	77,843	0
Fire Squad - 2016	187,415	168,829	(187,415)	168,829	0
Fire Engine - 2017	405,222	404,380	(405,222)	404,380	0
City Hall Roof (Phase II) - 2017	101,306	101,095	(101,306)	101,095	0
Safety System Upgrade - 2018	151,958	73,799	(151,958)	73,799	0
Service Department Vehicle - 2018	151,958	151,643	(151,958)	151,643	0
Sperry Road Improvements -2015	20,261	15,164	(20,261)	15,164	0
Tibbetts Road Completion - 2014	20,261	14,153	(20,261)	14,153	0
Wisner Road Stabilization - 2018	100,000	0	(100,000)	0	0
Worrell Road Resurfacing - 2016	35,000	33,361	(35,000)	33,361	0
School Crosswalk	100,000	101,095	(100,000)	101,095	0
State Route 6 and Sperry Road	40,522	0	(40,522)	0	0
State Route 6 Resurfacing	65,849	50,548	(65,849)	50,548	0
Lakeland Turn Lanes (Phase II) - 2014	40,522	35,383	(40,522)	35,383	0
State Route 306 Slope Stabilization - 2016	55,718	52,569	(55,718)	52,569	0
<i>Total Long-Term Notes Payable</i>	<u>\$2,433,331</u>	<u>\$2,029,988</u>	<u>(\$2,433,331)</u>	<u>\$2,029,988</u>	<u>\$0</u>

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	Balance 12/31/19	Additions	Reductions	Balance 12/31/20	Amounts Due in One Year
Governmental Activities (Continued):					
Other Long-Term Obligations:					
Compensated Absences	\$301,723	\$15,990	(\$35,801)	\$281,912	\$62,457
Capital Leases	69,277	0	(16,542)	52,735	17,050
<i>Total Other Long-Term Obligations</i>	<u>371,000</u>	<u>15,990</u>	<u>(52,343)</u>	<u>334,647</u>	<u>79,507</u>
Net Pension Liability:					
OPERS	3,346,150	0	(1,161,381)	2,184,769	0
OP&F	5,292,168	0	(992,750)	4,299,418	0
<i>Total Net Pension Liability</i>	<u>8,638,318</u>	<u>0</u>	<u>(2,154,131)</u>	<u>6,484,187</u>	<u>0</u>
Net OPEB Liability:					
OPERS	1,507,698	0	(61,077)	1,446,621	0
OP&F	590,414	40,006	0	630,420	0
<i>Total Net OPEB Liability</i>	<u>2,098,112</u>	<u>40,006</u>	<u>(61,077)</u>	<u>2,077,041</u>	<u>0</u>
<i>Total Governmental Activities</i>	<u>\$14,536,984</u>	<u>\$2,085,984</u>	<u>(\$4,827,498)</u>	<u>\$11,795,470</u>	<u>\$216,855</u>
Business-Type Activities:					
General Obligation Bonds:					
Templeview Sewer Project	\$270,200	\$0	(\$5,400)	\$264,800	\$5,700
OPWC Loan:					
Templeview Sewer	99,370	0	(7,098)	92,272	21,294
Net Pension Liability:					
OPERS	33,800	0	(11,731)	22,069	0
Net OPEB Liability:					
OPERS	15,230	0	(617)	14,613	0
<i>Total Business-Type Activities</i>	<u>\$418,600</u>	<u>\$0</u>	<u>(\$24,846)</u>	<u>\$393,754</u>	<u>\$26,994</u>

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 through direct placement 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.

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In 2005, the City received a \$50,000 OPWC loan through direct placement 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 through direct placement 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 through direct placement for the Route 306 at Lakeland Community College Project which will be paid from the general obligation bond retirement fund.

During 2020, the City issued \$2,431,335 in bond anticipation notes which were used to retire the 2019 \$3,050,517 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 \$25,280,316 with an unvoted debt margin of \$11,680,574 at December 31, 2020. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

	Governmental Activities			Business-Type Activities		
	General Obligation		<i>From Direct</i>	General Obligation		<i>From Direct</i>
	Bonds		<i>Borrowings</i>	Bonds		<i>Borrowings</i>
	Principal	Interest	OPWC Loan	Principal	Interest	OPWC Loan
2021	\$125,000	\$17,457	\$12,348	\$5,700	\$11,585	\$21,294
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	136,500	8,229	8,232	6,400	10,836	14,195
2025	138,000	4,962	8,231	6,700	10,526	14,196
2026-2030	139,500	1,660	28,333	38,200	47,994	14,195
2031-2035	0	0	0	47,500	38,851	0
2036-2040	0	0	0	58,900	27,514	0
2041-2045	0	0	0	72,800	13,438	0
2046	0	0	0	16,500	722	0
Total	\$796,000	\$58,155	\$73,607	\$264,800	\$183,880	\$92,272

The City's outstanding OPWC loans from direct borrowings and direct placements related to governmental activities of \$73,607 and related to business type activities of \$92,272 contain a provision that in an event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 19 - Capital Leases

The City has entered into a capitalized lease for road machinery. The lease meets 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	\$103,994
Less: Accumulated Depreciation	(56,004)
Total	\$47,990

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, 2020.

	Governmental Activities
2021	\$18,669
2022	18,669
2023	18,668
Total Minimum Lease Payments	56,006
Less: Amount representing interest	(3,271)
Present Value of Minimum Lease Payments	\$52,735

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	\$375,005	Waste Water	\$4,341
Other Governmental Funds	352,912		
Total Governmental Funds	\$727,917		

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

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 298 communities who have been authorized by ballot to purchase electricity or 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 2020. 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 (COG). 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 COG. For 2020, these costs are not yet available; however, they are not expected to be significantly different from 2019. For 2020, the City paid RITA \$76,907 for income tax collection services.

Note 22 – Subsequent Events

On April 21, 2021, the City issued \$2,000,000 in general obligation bond anticipation notes. The notes were sold at an interest rate of one percent and mature on April 21, 2022.

On June 17, 2021, the City issued \$2,008,000 in general obligation bond anticipation notes which were used to retire \$2,405,000 in general obligation bond anticipation notes. The notes were sold at an interest rate of .50 percent and mature on June 16, 2022.

Note 23 – Asset Retirement Obligations

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need addressed; therefore, a reliable estimated amount could not be determined.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

Note 24 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

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 Seven Years (1)

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.011165%	0.012341%	0.012344%	0.012365%
City's Proportionate Share of the Net Pension Liability	\$2,206,838	\$3,379,950	\$1,936,535	\$2,807,880
City's Covered Payroll	\$1,571,000	\$1,666,843	\$1,631,246	\$1,598,392
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.47%	202.78%	118.72%	175.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%

(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

2016	2015	2014
0.012889%	0.013139%	0.013139%
\$2,232,537	\$1,584,711	\$1,548,917
\$1,604,217	\$1,610,883	\$1,567,089
139.17%	98.38%	98.84%
81.08%	86.45%	86.36%

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
Last Three Years (1)

	2020	2019	2018
City's Proportion of the Net Pension (asset)	0.005135%	0.006258%	0.004867%
City's Proportionate Share of the Net Pension (asset)	(\$10,708)	(\$6,998)	(\$6,625)
City's Covered Payroll	\$22,857	\$26,764	\$19,938
City's Proportionate Share of the Net Pension (asset) as a Percentage of its Covered Payroll	46.85%	26.15%	33.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension (asset)	145.28%	126.64%	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 Four Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.010579%	0.011681%	0.011660%	0.011560%
City's Proportionate Share of the Net OPEB Liability	\$1,461,234	\$1,522,928	\$1,266,190	\$1,167,599
City's Covered Payroll	\$1,598,257	\$1,694,257	\$1,651,809	\$1,598,392
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.43%	89.89%	76.65%	73.05%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	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 Seven Years (1)

	2020	2019	2018	2017
City's Proportion of the Net Pension Liability	0.0638224%	0.0648340%	0.0615670%	0.0662470%
City's Proportionate Share of the Net Pension Liability	\$4,299,418	\$5,292,168	\$3,778,644	\$4,196,018
City's Covered Payroll	\$1,512,881	\$1,420,506	\$1,413,663	\$1,396,114
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	284.19%	372.56%	267.29%	300.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%

(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

2016	2015	2014
0.0671060%	0.0645996%	0.0645996%
\$4,316,976	\$3,346,528	\$3,146,203
\$1,342,602	\$1,266,312	\$1,297,154
321.54%	264.27%	242.55%
66.77%	71.71%	73.00%

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 Four Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0638224%	0.0648340%	0.0615670%	0.0662470%
City's Proportionate Share of the Net OPEB Liability	\$630,420	\$590,414	\$3,488,299	\$3,144,596
City's Covered Payroll	\$1,512,881	\$1,420,506	\$1,413,663	\$1,396,114
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	41.67%	41.56%	246.76%	225.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	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

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

	2020	2019	2018	2017
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$187,435	\$219,940	\$233,358	\$212,062
Contributions in Relation to the Contractually Required Contribution	(187,435)	(219,940)	(233,358)	(212,062)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,338,821	\$1,571,000	\$1,666,843	\$1,631,246
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
Net Pension Liability - Combined Plan				
Contractually Required Contribution	\$7,816	\$3,200	\$3,747	\$2,592
Contributions in Relation to the Contractually Required Contribution	(7,816)	(3,200)	(3,747)	(2,592)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$55,829	\$22,857	\$26,764	\$19,938
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$154	\$176	\$26	\$16,536
Contributions in Relation to the Contractually Required Contribution	(154)	(176)	(26)	(16,536)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$1,398,500	\$1,598,257	\$1,694,257	\$1,651,809
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>

(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

2016	2015	2014	2013
\$191,807	\$192,506	\$193,306	\$203,722
(191,807)	(192,506)	(193,306)	(203,722)
\$0	\$0	\$0	\$0
\$1,598,392	\$1,604,217	\$1,610,883	\$1,567,092
12.00%	12.00%	12.00%	13.00%

\$31,968

(31,968)

\$0

\$1,598,392

2.00%

City of Kirtland, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2020	2019	2018	2017	2016
Net Pension Liability					
Contractually Required Contribution	\$337,157	\$321,607	\$302,607	\$301,346	\$296,723
Contributions in Relation to the Contractually Required Contribution	<u>(337,157)</u>	<u>(321,607)</u>	<u>(302,607)</u>	<u>(301,346)</u>	<u>(296,723)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$1,591,576	\$1,512,881	\$1,420,506	\$1,413,663	\$1,396,114
Pension Contributions as a Percentage of Covered Payroll	<u>21.18%</u>	<u>21.26%</u>	<u>21.30%</u>	<u>21.32%</u>	<u>21.25%</u>
Net OPEB Liability					
Contractually Required Contribution	\$7,897	\$7,565	\$7,103	\$7,068	\$6,981
Contributions in Relation to the Contractually Required Contribution	<u>(7,897)</u>	<u>(7,565)</u>	<u>(7,103)</u>	<u>(7,068)</u>	<u>(6,981)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.35%</u>	<u>0.33%</u>	<u>0.31%</u>	<u>0.32%</u>	<u>0.33%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.53%</u>	<u>21.59%</u>	<u>21.61%</u>	<u>21.64%</u>	<u>21.58%</u>

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

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011
\$285,807	\$270,345	\$235,746	\$189,023	\$190,546
<u>(285,807)</u>	<u>(270,345)</u>	<u>(235,746)</u>	<u>(189,023)</u>	<u>(190,546)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,342,602	\$1,266,312	\$1,297,154	\$1,255,268	\$1,263,338
<u>21.29%</u>	<u>21.35%</u>	<u>18.17%</u>	<u>15.06%</u>	<u>15.08%</u>
\$6,714	\$6,331	\$46,914	\$84,731	\$85,276
<u>(6,714)</u>	<u>(6,331)</u>	<u>(46,914)</u>	<u>(84,731)</u>	<u>(85,276)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.33%</u>	<u>0.33%</u>	<u>2.57%</u>	<u>4.71%</u>	<u>4.95%</u>
<u>21.62%</u>	<u>21.68%</u>	<u>20.74%</u>	<u>19.77%</u>	<u>20.03%</u>

City of Kirtland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

Changes in Assumptions – OPERS Pension– Traditional Plan

Amounts reported beginning in 2019 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 beginning in 2017 and in 2016 and prior are presented below:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage 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	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	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

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.

City of Kirtland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

Changes in Assumptions – OPERS Pension – Combined Plan

For 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 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:

	Beginning in 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 beginning in 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 beginning in 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

City of Kirtland, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2020

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

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2020	10.0 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Single Discount Rate:	
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**CITY OF KIRTLAND
LAKE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF TREASURY:		
<i>Passed Through Ohio Office of Budget and Management</i>		
COVID- 19 Coronavirus Relief Fund	21.019	\$ 700,543
Total U.S. Department of Treasury		700,543
U.S. DEPARTMENT OF HOMELAND SECURITY:		
<i>Direct Program</i>		
Assistance to Firefighters Grant	97.044	58,989
Total U.S. Department of Homeland Security		58,989
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY:		
<i>Passed Through Ohio Environmental Protection Agency</i>		
Nonpoint Source Implementation Grant	66.460	97,027
Total U.S. Department of Environmental Protection Agency		97,027
Total Expenditures of Federal Awards		\$856,559

The accompanying notes are an integral part of this schedule.

**CITY OF KIRTLAND
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Kirtland (the City) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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, 2020, 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 8, 2021, wherein we also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

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 financial statements. 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 8, 2021

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the City of Council:

Report on Compliance for the Major Federal Program

We have audited the City of Kirtland's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Kirtland's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Kirtland complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 8, 2021

**CITY OF KIRTLAND
LAKE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	➤ Coronavirus Relief Fund CFDA # 21.019
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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 11/4/2021

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