



**Dave Yost • Auditor of State**

**City of Kirtland  
Lake County, Ohio**

**General Purpose External Financial Statements  
For the Year Ended December 31, 2016**

**Local Government Services Section**



**City of Kirtland, Ohio**  
*General Purpose External Financial Statements*  
*For the Year Ended December 31, 2016*  
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# Dave Yost • Auditor of State

City of Kirtland  
9301 Chillicothe Road  
Kirtland, Ohio 44094

## Accountant's Compilation Report

Management is responsible for the accompanying basic financial statements of the City of Kirtland as of and for the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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

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

DAVE YOST  
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith  
Chief of Local Government Services

May 26, 2017

**City of Kirtland, Ohio**  
*Management's Discussion and Analysis*  
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The discussion and analysis of the City of Kirtland's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 2016 are:

- In 2016, the City continued the comprehensive road rebuilding and resurfacing program based on the new road levy established in 2015.
- During 2016, the City issued \$2,200,000 in general obligation notes which were used to retire the 2015 \$1,860,000 in general obligation notes and for the purchase of new equipment. Also during 2016, the City refunded the 2006 various purpose bonds to take advantage of lower interest rates. This refunding decreased the City's aggregate debt service payments by \$164,584.
- The City complies with GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements presentation of the City.

### **Using This Annual Basic Financial Statement Report (BFS)**

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

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

### **The City of Kirtland as a Whole**

#### **Statement of Net Position and Statement of Activities**

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2016?" 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-

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financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

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

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

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

## **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 road levy special revenue funds, the State Route 306 and State Route 6 capital projects fund and the waste water enterprise fund.

### ***Government Funds***

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

### ***Proprietary Funds***

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

### ***Fiduciary Funds***

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

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**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 2016 compared to 2015.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activity		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$4,385,084	\$4,544,626	\$289,998	\$325,114	\$4,675,082	\$4,869,740
Capital Assets, Net	14,518,404	15,622,615	2,351,417	2,414,169	16,869,821	18,036,784
<i>Total Assets</i>	<u>18,903,488</u>	<u>20,167,241</u>	<u>2,641,415</u>	<u>2,739,283</u>	<u>21,544,903</u>	<u>22,906,524</u>
Deferred Outflows of Resources:						
Pension	1,943,090	701,559	8,481	5,541	1,951,571	707,100
Current and Other Liabilities	586,165	872,989	55,687	12,564	641,852	885,553
Long-Term Liabilities:						
Due Within One Year	176,023	369,262	18,995	18,796	195,018	388,058
Due in More than One Year:						
Pension	6,527,186	4,899,545	22,327	31,694	6,549,513	4,931,239
Other Amounts	3,700,702	3,329,258	408,162	427,157	4,108,864	3,756,415
<i>Total Liabilities</i>	<u>10,990,076</u>	<u>9,471,054</u>	<u>505,171</u>	<u>490,211</u>	<u>11,495,247</u>	<u>9,961,265</u>
Deferred Inflows of Resources:						
Property Taxes	1,911,596	1,975,890	0	0	1,911,596	1,975,890
Pension	64,068	27,283	11,085	557	75,153	27,840
<i>Total Deferred Inflows of Resources</i>	<u>1,975,664</u>	<u>2,003,173</u>	<u>11,085</u>	<u>557</u>	<u>1,986,749</u>	<u>2,003,730</u>
Net Investment in Capital Assets	10,778,288	11,938,018	1,924,260	1,968,216	12,702,548	13,906,234
Restricted:						
Capital Projects	80,339	225,425	0	0	80,339	225,425
Fire	97,579	91,449	0	0	97,579	91,449
Street Construction,						
Maintenance and Repair	311,190	231,011	0	0	311,190	231,011
Senior Citizens	147,341	166,642	0	0	147,341	166,642
Other Purposes	210,416	145,177	0	0	210,416	145,177
Unrestricted (Deficit)	<u>(3,744,315)</u>	<u>(3,403,149)</u>	<u>209,380</u>	<u>285,840</u>	<u>(3,534,935)</u>	<u>(3,117,309)</u>
<i>Total Net Position</i>	<u>\$7,880,838</u>	<u>\$9,394,573</u>	<u>\$2,133,640</u>	<u>\$2,254,056</u>	<u>\$10,014,478</u>	<u>\$11,648,629</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.



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

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

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 \$7,880,838 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

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of Kirtland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Table 2 shows the changes in net position for the years ended December 31, 2016, as compared to 2015.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activity		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$571,464	\$468,141	\$107,375	\$115,213	\$678,839	\$583,354
Operating Grants and Contributions	653,429	626,400	0	0	653,429	626,400
Capital Grants	155,347	457,191	0	0	155,347	457,191
Total Program Revenues	1,380,240	1,551,732	107,375	115,213	1,487,615	1,666,945
General Revenues						
Property Taxes	2,069,503	2,033,468	0	0	2,069,503	2,033,468
Municipal Income Taxes	3,249,908	3,302,847	0	0	3,249,908	3,302,847
Grants and Entitlements	455,647	483,158	0	0	455,647	483,158
Gain on Sale of Capital Assets	2,338	0	0	0	2,338	0
Investment Earnings	1,760	359	0	0	1,760	359
Miscellaneous	49,534	72,895	0	0	49,534	72,895
Total General Revenues	5,828,690	5,892,727	0	0	5,828,690	5,892,727
Total Revenues	7,208,930	7,444,459	107,375	115,213	7,316,305	7,559,672
<b>Program Expenses</b>						
General Government	2,188,343	2,053,158	0	0	2,188,343	2,053,158
Security of Persons and Property	2,995,919	2,713,337	0	0	2,995,919	2,713,337
Transportation	2,883,863	2,333,093	0	0	2,883,863	2,333,093
Public Health and Welfare	77,593	0	0	0	77,593	0
Community Environment	75,452	144,283	0	0	75,452	144,283
Leisure Time Activities	444,625	387,901	0	0	444,625	387,901
Interest and Fiscal Charges	56,870	90,355	0	0	56,870	90,355
Waste Water	0	0	227,791	187,425	227,791	187,425
Total Program Expenses	8,722,665	7,722,127	227,791	187,425	8,950,456	7,909,552
<i>Change in Net Position</i>	(1,513,735)	(277,668)	(120,416)	(72,212)	(1,634,151)	(349,880)
Net Position Beginning of Year	9,394,573	9,672,241	2,254,056	2,326,268	11,648,629	11,998,509
Net Position End of Year	<u>\$7,880,838</u>	<u>\$9,394,573</u>	<u>\$2,133,640</u>	<u>\$2,254,056</u>	<u>\$10,014,478</u>	<u>\$11,648,629</u>

The City is very dependent on property taxes and income taxes. Property tax revenues increased over the previous year mainly due to the new road levy. 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.

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Security of persons and property include the police and fire departments, accounted for program expenses of \$2,995,919 which is 34.35 percent of total expenses. Our police and fire departments continue to improve their equipment to better serve our community and at the same time provide extra safety for our officers. We continue to strive to provide better police and fire service at a lower cost per man-hour. The City has been recognized as one of the safest cities in Northeast Ohio by Cleveland Magazine for four 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 2016, the revenue collected from income taxes was designated for the City's general fund. General revenues from property taxes and charges for services are also significant revenue generators. The City monitors its sources of revenues very closely for any changes or fluctuations.

The City's income taxes 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. The City's strong economic growth and strong base of taxpayers provide the City with an income tax base that can sustain the loss of any major tax paying entity and still be able to meet the financial needs of the City.

Total revenues for governmental activities decreased in 2016 due to decreased monies received from capital grants. Revenue consists primarily of property taxes, income taxes and intergovernmental revenues received through operating and capital grants or contributions as well as unrestricted grants and entitlements. The remaining revenues represent charges for services, interest and miscellaneous receipts. Charges for services include non-resident ambulance billing, cemetery fees and recreation fees.

Total governmental activities program expenses increased in 2016 compared to 2015 due to rising costs and increased transportation spending regarding new and continuing road maintenance projects. This increase was offset by the City's concerted effort to keep expenses low while still providing the services the residents have come to expect. General government, security of persons and property and transportation expenses are the three main sources of expenses. These activities include police protection, fire protection, road maintenance, planning/zoning, mayoral office and finance office.

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

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**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General Government	\$2,188,343	\$2,053,158	(\$2,024,997)	(\$1,923,414)
Security of Persons and Property	2,995,919	2,713,337	(2,545,291)	(2,331,970)
Transportation	2,883,863	2,333,093	(2,260,749)	(1,409,377)
Public Health and Welfare	77,593	0	(71,628)	0
Community Environment	75,452	144,283	(69,811)	(133,450)
Leisure Time Activities	444,625	387,901	(313,079)	(281,829)
Interest and Fiscal Charges	56,870	90,355	(56,870)	(90,355)
Total	<u>\$8,722,665</u>	<u>\$7,722,127</u>	<u>(\$7,342,425)</u>	<u>(\$6,170,395)</u>

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 34.35 percent of total 2016 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. As of December 31, 2016, the City employed 14 full time police officers and 10 full time firefighters. Other significant expenses include transportation expenses which make up approximately 30.21 percent of total expenses. The majority of transportation expenses include salaries, benefits and infrastructure depreciation.

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

#### ***Business-Type Activities***

The charges for services from waste water utility services along with miscellaneous revenues received were insufficient to cover the total expenses in 2016. 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 a government's net resources. Governmental fund information begins with the balance sheet and is accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, the fire emergency levy and road levy special revenue funds and the State Route 306 and State Route 6 capital projects fund. The increase in general fund revenues was mainly due to increases in income tax collections as a result of the City aggressively collecting delinquencies. The increase is also due to an increase in intergovernmental revenue as well as rentals. The fire emergency levy special revenue fund decreased slightly due to increased costs. The road levy special revenue fund had an increase in fund balance due to decreased expenditures. The State Route

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306 and State Route 6 capital projects fund had an increase in fund balance due to a reduction in transfers out and debt service related expenditures.

***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 2016, the City amended its general fund budget from the original certified revenues. All capital projects and requests for capital type purchases in excess of \$25,000 must be reviewed and approved individually by the Mayor, after which they are sent to the formal Council meeting for ordinance enactment on the purchase. The legal level of budgetary control has been established by Council at the personal services, contractual services/supplies and capital outlay object levels for each function for all funds. The Finance Director, with approval from the Mayor or City Council, has been authorized to allocate appropriations to more detailed function and object levels within each fund.

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

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 shows 2016 balances of capital assets as compared to 2015.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activity		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,364,602	\$1,364,602	\$124,417	\$124,417	\$1,489,019	\$1,489,019
Buildings, Structures and Improvements	2,829,066	2,981,560	21,028	24,426	2,850,094	3,005,986
Machinery and Equipment	1,604,877	1,680,121	12,477	14,291	1,617,354	1,694,412
Infrastructure						
Roads	8,299,138	9,134,310	0	0	8,299,138	9,134,310
Storm Sewers	420,721	462,022	0	0	420,721	462,022
Sewer Lines	0	0	2,193,495	2,251,035	2,193,495	2,251,035
<b>Total</b>	<b>\$14,518,404</b>	<b>\$15,622,615</b>	<b>\$2,351,417</b>	<b>\$2,414,169</b>	<b>\$16,869,821</b>	<b>\$18,036,784</b>

Capital assets decreased due to annual depreciation exceeding total capital asset additions.

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 Eagle road. Other capital asset additions include building improvements to city hall and the fire station and the purchase of various machinery and equipment.

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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 Activity		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$1,259,500	\$1,557,163	\$285,200	\$289,800	\$1,544,700	\$1,846,963
Capital Leases	178,199	168,991	0	0	178,199	168,991
OPWC Loans	102,417	110,648	141,957	156,153	244,374	266,801
Long-Term Notes	2,040,000	1,580,000	0	0	2,040,000	1,580,000
Short-Term Notes	160,000	280,000	0	0	160,000	280,000
Total	<u>\$3,740,116</u>	<u>\$3,696,802</u>	<u>\$427,157</u>	<u>\$445,953</u>	<u>\$4,167,273</u>	<u>\$4,142,755</u>

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 City fully retired the 2012 general obligation bonds of \$226,000.

In 2016, the City issued \$2,200,000 in general obligation notes which were used to retire the 2015 \$1,860,000 in general obligation notes and for road repairs, fire and road equipment, road resurfacing and slope stabilization projects. See Notes 17 and 18 for additional information on the City's outstanding debt obligations.

***Current Financial Related Activities***

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

City health care costs for employees have been increasing every year; however, the City found ways to keep the costs at reasonable levels while providing the best possible insurance coverage. Starting January 1, 2015 the City entered into a three year contract with the Lake County Board of Commissioners to participate in their group health plan. In addition to the savings from joining the County plan, the City has a negotiated cost sharing plan with bargaining units.

**City of Kirtland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

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The City also took pride in being ranked in the top fifteen cities in Northeast Ohio for safety, education and median home sale price. The ranking was featured in the June 2016 edition of Cleveland Magazine. Also in 2016, as rated by Niche, the City ranked in the top five best Cleveland suburbs to raise a family. Additionally, for the past several years the City has been awarded AAA's Platinum Award given to communities that demonstrate outstanding success in addressing local traffic safety issues. These statistics illustrate the commitment of our safety forces, engineering department, public works department and our residents to work together to maintain a community where people are proud to live and work.

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

**Contacting the City's Finance Department**

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

## **Basic Financial Statements**



**City of Kirtland, Ohio**

*Statement of Net Position*

December 31, 2016

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$952,944	\$289,998	\$1,242,942
Materials and Supplies Inventory	127,125	0	127,125
Accounts Receivable	58,748	0	58,748
Intergovernmental Receivable	511,624	0	511,624
Municipal Income Taxes Receivable	756,388	0	756,388
Property Taxes Receivable	1,978,255	0	1,978,255
Non-Depreciable Capital Assets	1,364,602	124,417	1,489,019
Depreciable Capital Assets, Net	13,153,802	2,227,000	15,380,802
<b>Total Assets</b>	<b>18,903,488</b>	<b>2,641,415</b>	<b>21,544,903</b>
<b>Deferred Outflows of Resources</b>			
Pension	1,943,090	8,481	1,951,571
<b>Liabilities</b>			
Accounts Payable	41,571	4,004	45,575
Accrued Wages and Benefits	165,209	263	165,472
Vacation Benefits Payable	120,692	0	120,692
Intergovernmental Payable	81,446	44,142	125,588
Accrued Interest Payable	17,247	7,278	24,525
Notes Payable	160,000	0	160,000
Long-Term Liabilities:			
Due Within One Year	176,023	18,995	195,018
Due In More Than One Year			
Net Pension Liability (See Note 13)	6,527,186	22,327	6,549,513
Other Amounts Due In More Than One Year	3,700,702	408,162	4,108,864
<b>Total Liabilities</b>	<b>10,990,076</b>	<b>505,171</b>	<b>11,495,247</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,911,596	0	1,911,596
Pension	64,068	11,085	75,153
<b>Total Deferred Inflows of Resources</b>	<b>1,975,664</b>	<b>11,085</b>	<b>1,986,749</b>
<b>Net Position</b>			
Net Investment in Capital Assets	10,778,288	1,924,260	12,702,548
Restricted for:			
Capital Projects	80,339	0	80,339
Fire	97,579	0	97,579
Street Construction, Maintenance and Repair	311,190	0	311,190
Senior Citizens	147,341	0	147,341
Other Purposes	210,416	0	210,416
Unrestricted (Deficit)	(3,744,315)	209,380	(3,534,935)
<b>Total Net Position</b>	<b>\$7,880,838</b>	<b>\$2,133,640</b>	<b>\$10,014,478</b>

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities</b>				
General Government	\$2,188,343	\$163,346	\$0	\$0
Security of Persons and Property	2,995,919	316,051	134,577	0
Transportation	2,883,863	71,205	424,042	127,867
Public Health and Welfare	77,593	5,965	0	0
Community Environment	75,452	5,341	300	0
Leisure Time Activities	444,625	9,556	94,510	27,480
Interest and Fiscal Charges	56,870	0	0	0
<i>Total Governmental Activities</i>	8,722,665	571,464	653,429	155,347
<b>Business-Type Activity</b>				
Waste Water	227,791	107,375	0	0
<i>Total</i>	<u>\$8,950,456</u>	<u>\$678,839</u>	<u>\$653,429</u>	<u>\$155,347</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Fire Operating

Police Operating

Police Pension

Road Construction and Maintenance

Senior Citizen Recreation

Municipal Income Taxes

Levied for General Purposes

Grants and Entitlements

not Restricted to Specific Programs

Gain on Sale of Capital Assets

Investment Earnings

Miscellaneous

*Total General Revenues*

*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 Activity	Total
(\$2,024,997)	\$0	(\$2,024,997)
(2,545,291)	0	(2,545,291)
(2,260,749)	0	(2,260,749)
(71,628)	0	(71,628)
(69,811)	0	(69,811)
(313,079)	0	(313,079)
(56,870)	0	(56,870)
(7,342,425)	0	(7,342,425)
0	(120,416)	(120,416)
(7,342,425)	(120,416)	(7,462,841)
586,438	0	586,438
718,453	0	718,453
84,741	0	84,741
65,134	0	65,134
483,882	0	483,882
130,855	0	130,855
3,249,908	0	3,249,908
455,647	0	455,647
2,338		2,338
1,760	0	1,760
49,534	0	49,534
5,828,690	0	5,828,690
(1,513,735)	(120,416)	(1,634,151)
9,394,573	2,254,056	11,648,629
\$7,880,838	\$2,133,640	\$10,014,478

**City of Kirtland, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2016*

	General	Fire Emergency Levy	Road Levy	State Route 306 and State Route 6	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and						
Cash Equivalents	\$471,319	\$32,766	\$89,603	\$75,000	\$284,256	\$952,944
Materials and Supplies Inventory	127,125	0	0	0	0	127,125
Accounts Receivable	26,199	0	0	0	32,549	58,748
Interfund Receivable	65,207	0	0	0	0	65,207
Intergovernmental Receivable	200,316	45,990	4,838	0	260,480	511,624
Municipal Income Taxes Receivable	756,388	0	0	0	0	756,388
Property Taxes Receivable	567,271	580,878	415,583	0	414,523	1,978,255
<b>Total Assets</b>	<b>\$2,213,825</b>	<b>\$659,634</b>	<b>\$510,024</b>	<b>\$75,000</b>	<b>\$991,808</b>	<b>\$4,450,291</b>
<b>Liabilities</b>						
Accounts Payable	\$38,146	\$0	\$279	\$0	\$3,146	\$41,571
Accrued Wages and Benefits	165,209	0	0	0	0	165,209
Interfund Payable	0	0	0	0	65,207	65,207
Intergovernmental Payable	81,446	0	0	0	0	81,446
Accrued Interest Payable	562	0	0	313	125	1,000
Notes Payable	90,000	0	0	50,000	20,000	160,000
<b>Total Liabilities</b>	<b>375,363</b>	<b>0</b>	<b>279</b>	<b>50,313</b>	<b>88,478</b>	<b>514,433</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	548,978	562,055	402,139	0	398,424	1,911,596
Unavailable Revenue	718,269	64,813	18,282	0	244,342	1,045,706
<b>Total Deferred Inflows of Resources</b>	<b>1,267,247</b>	<b>626,868</b>	<b>420,421</b>	<b>0</b>	<b>642,766</b>	<b>2,957,302</b>
<b>Fund Balances</b>						
Nonspendable	127,125	0	0	0	0	127,125
Restricted	0	32,766	89,324	24,687	335,833	482,610
Assigned	444,090	0	0	0	0	444,090
Unassigned (Deficit)	0	0	0	0	(75,269)	(75,269)
<b>Total Fund Balances</b>	<b>571,215</b>	<b>32,766</b>	<b>89,324</b>	<b>24,687</b>	<b>260,564</b>	<b>978,556</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$2,213,825</b>	<b>\$659,634</b>	<b>\$510,024</b>	<b>\$75,000</b>	<b>\$991,808</b>	<b>\$4,450,291</b>

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, 2016*

<b>Total Governmental Fund Balances</b>		<b>\$978,556</b>
<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.		14,518,404
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	66,659	
Municipal Income Taxes	497,054	
Intergovernmental	456,811	
Rentals	25,182	
Total		1,045,706
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		(16,247)
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.		(120,692)
Long-term liabilities are not due and payable in the current period therefore are not reported in the funds:		
General Obligation Bonds	(1,259,500)	
OPWC Loans	(102,417)	
General Obligation Notes	(2,040,000)	
Compensated Absences	(296,609)	
Capital Leases	(178,199)	
Total		(3,876,725)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	1,943,090	
Net Pension Liability	(6,527,186)	
Deferred Inflows - Pension	(64,068)	
Total		(4,648,164)
<b>Net Position of Governmental Activities</b>		<b>\$7,880,838</b>

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, 2016*

	General	Fire Emergency Levy	Road Levy	State Route 306 and State Route 6	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$575,403	\$587,703	\$475,815	\$0	\$416,196	\$2,055,117
Municipal Income Taxes	3,462,764	0	0	0	0	3,462,764
Charges for Services	86,675	0	0	0	199,219	285,894
Licenses and Permits	25,788	0	0	0	0	25,788
Fines and Forfeitures	46,669	0	0	0	610	47,279
Intergovernmental	464,993	91,978	9,674	48,231	623,616	1,238,492
Rentals	211,727	0	0	0	0	211,727
Interest	1,743	0	0	0	17	1,760
Contributions and Donations	0	0	0	0	300	300
Miscellaneous	49,532	0	0	1	1	49,534
<b>Total Revenues</b>	<b>4,925,294</b>	<b>679,681</b>	<b>485,489</b>	<b>48,232</b>	<b>1,239,959</b>	<b>7,378,655</b>
<b>Expenditures</b>						
Current:						
General Government	2,113,610	0	0	0	0	2,113,610
Security of Persons and Property	1,501,580	685,000	0	0	315,000	2,501,580
Transportation	921,896	0	391,235	0	400,000	1,713,131
Public Health and Welfare	77,593	0	0	0	0	77,593
Community Environment	69,250	0	0	0	0	69,250
Leisure Time Activities	124,706	0	0	0	235,728	360,434
Capital Outlay	71,017	0	0	0	181,006	252,023
Debt Service:						
Principal Retirement	25,627	0	36,182	0	299,231	361,040
Refunding Notes Redeemed	1,080,000	0	0	370,000	130,000	1,580,000
Interest and Fiscal Charges	11,548	0	4,247	4,660	69,899	90,354
Bond Issuance Costs	0	0	0	0	29,500	29,500
<b>Total Expenditures</b>	<b>5,996,827</b>	<b>685,000</b>	<b>431,664</b>	<b>374,660</b>	<b>1,660,364</b>	<b>9,148,515</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,071,533)</b>	<b>(5,319)</b>	<b>53,825</b>	<b>(326,428)</b>	<b>(420,405)</b>	<b>(1,769,860)</b>
<b>Other Financing Sources (Uses)</b>						
Inception of Capital Lease	71,017	0	0	0	0	71,017
Sale of Capital Assets	6,158	0	0	0	0	6,158
General Obligation Notes Issued	500,000	0	0	75,000	45,000	620,000
General Obligation Refunding Notes Issued	990,000	0	0	320,000	110,000	1,420,000
General Obligation Refunding Bonds Issued	0	0	0	0	1,259,500	1,259,500
Payment to Refunded Bond Escrow	0	0	0	0	(1,230,000)	(1,230,000)
Transfers In	55,552	0	0	0	367,241	422,793
Transfers Out	(247,838)	0	0	0	(174,955)	(422,793)
<b>Total Other Financing Sources (Uses)</b>	<b>1,374,889</b>	<b>0</b>	<b>0</b>	<b>395,000</b>	<b>376,786</b>	<b>2,146,675</b>
<b>Net Change in Fund Balances</b>	<b>303,356</b>	<b>(5,319)</b>	<b>53,825</b>	<b>68,572</b>	<b>(43,619)</b>	<b>376,815</b>
<b>Fund Balances (Deficit) Beginning of Year</b>	<b>267,859</b>	<b>38,085</b>	<b>35,499</b>	<b>(43,885)</b>	<b>304,183</b>	<b>601,741</b>
<b>Fund Balances End of Year</b>	<b>\$571,215</b>	<b>\$32,766</b>	<b>\$89,324</b>	<b>\$24,687</b>	<b>\$260,564</b>	<b>\$978,556</b>

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, 2016*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$376,815</b>
<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 capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	376,965	
Current Year Depreciation	(1,447,609)	
<b>Total</b>		<b>(1,070,644)</b>
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.		
		<b>(33,567)</b>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	14,386	
Municipal Income Taxes	(212,856)	
Intergovernmental	25,631	
Rentals	776	
<b>Total</b>		<b>(172,063)</b>
Accrued interest is reported in the statement of activities and does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued Interest	(2,679)	
Amortization of Bond Premium	36,163	
<b>Total</b>		<b>33,484</b>
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	(14,891)	
Vacation Benefits	(10,497)	
<b>Total</b>		<b>(25,388)</b>
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.		
		<b>3,171,040</b>
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position.		
Inception of Capital Lease	(71,017)	
General Obligation Notes Issued	(620,000)	
General Obligation Refunding Notes Issued	(1,420,000)	
General Obligation Refunding Bonds Issued	(1,259,500)	
<b>Total</b>		<b>(3,370,517)</b>
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows.		
		<b>486,612</b>
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<b>(909,507)</b>
<i>Change in Net Position of Governmental Activities</i>		<b><u>(\$1,513,735)</u></b>
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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues</b>				
Property Taxes	\$640,053	\$640,053	\$575,403	(\$64,650)
Municipal Income Taxes	3,026,782	3,430,070	3,423,120	(6,950)
Charges for Services	76,477	86,667	86,491	(176)
Licenses and Permits	22,802	25,840	25,788	(52)
Fines and Forfeitures	38,305	43,409	43,321	(88)
Intergovernmental	490,106	555,407	554,282	(1,125)
Rentals	187,213	212,157	211,727	(430)
Interest	1,541	1,747	1,743	(4)
Miscellaneous	49,242	55,803	49,532	(6,271)
<b>Total Revenues</b>	<b>4,532,521</b>	<b>5,051,153</b>	<b>4,971,407</b>	<b>(79,746)</b>
<b>Expenditures</b>				
Current:				
General Government	2,137,564	2,217,194	2,133,634	83,560
Security of Persons and Property	1,635,402	1,973,534	1,835,786	137,748
Transportation	950,340	949,602	942,687	6,915
Public Health and Welfare	77,463	84,525	77,593	6,932
Community Environment	73,686	87,774	81,610	6,164
Leisure Time Activities	130,667	142,493	130,537	11,956
<b>Total Expenditures</b>	<b>5,005,122</b>	<b>5,455,122</b>	<b>5,201,847</b>	<b>253,275</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(472,601)</b>	<b>(403,969)</b>	<b>(230,440)</b>	<b>173,529</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	0	6,158	6,158
Transfers In	555,552	555,552	555,552	0
Transfers Out	(394,900)	(394,900)	(364,788)	30,112
<b>Total Other Financing Sources (Uses)</b>	<b>160,652</b>	<b>160,652</b>	<b>196,922</b>	<b>36,270</b>
<b>Net Change in Fund Balance</b>	<b>(311,949)</b>	<b>(243,317)</b>	<b>(33,518)</b>	<b>209,799</b>
<b>Fund Balance Beginning of Year</b>	<b>243,296</b>	<b>243,296</b>	<b>243,296</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>69,167</b>	<b>69,167</b>	<b>69,167</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$514</b>	<b>\$69,146</b>	<b>\$278,945</b>	<b>\$209,799</b>

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, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Property Taxes	\$565,434	\$565,434	\$587,703	\$22,269
Intergovernmental	88,493	88,493	91,978	3,485
<i>Total Revenues</i>	653,927	653,927	679,681	25,754
<b>Expenditures</b>				
Current:				
Security of Persons and Property	685,000	685,000	685,000	0
<i>Net Change in Fund Balance</i>	(31,073)	(31,073)	(5,319)	25,754
<i>Fund Balance Beginning of Year</i>	38,085	38,085	38,085	0
<i>Fund Balance End of Year</i>	\$7,012	\$7,012	\$32,766	\$25,754

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Road Levy Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Property Taxes	\$457,783	\$457,783	\$475,815	\$18,032
Intergovernmental	9,307	9,307	9,674	367
<i>Total Revenues</i>	467,090	467,090	485,489	18,399
<b>Expenditures</b>				
Current:				
Transportation	495,000	495,000	432,097	62,903
<i>Net Change in Fund Balance</i>	(27,910)	(27,910)	53,392	81,302
<i>Fund Balance Beginning of Year</i>	35,805	35,805	35,805	0
<i>Fund Balance End of Year</i>	\$7,895	\$7,895	\$89,197	\$81,302

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Fund*  
*December 31, 2016*

	Waste Water
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$289,998
<i>Noncurrent Assets</i>	
Non-Depreciable Capital Assets	124,417
Depreciable Capital Assets, Net	2,227,000
<i>Total Noncurrent Assets</i>	2,351,417
<i>Total Assets</i>	2,641,415
<b>Deferred Outflows of Resources</b>	
Pension	8,481
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accounts Payable	4,004
Accrued Wages and Benefits	263
Intergovernmental Payable	44,142
Accrued Interest Payable	7,278
Bonds Payable	4,800
OPWC Loans Payable	14,195
<i>Total Current Liabilities</i>	74,682
<i>Long-Term Liabilities (net of current portion)</i>	
Bonds Payable	280,400
OPWC Loans Payable	127,762
Net Pension Liability	22,327
<i>Total Long-Term Liabilities</i>	430,489
<i>Total Liabilities</i>	505,171
<b>Deferred Inflows of Resources</b>	
Pension	11,085
<b>Net Position</b>	
Net Investment in Capital Assets	1,924,260
Unrestricted	209,380
<i>Total Net Position</i>	\$2,133,640

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, 2016*

	<u>Waste Water</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$107,375</u>
<b>Operating Expenses</b>	
Personal Services	15,961
Services and Supplies	136,537
Depreciation	<u>62,752</u>
<i>Total Operating Expenses</i>	<u>215,250</u>
<i>Operating Income (Loss)</i>	(107,875)
<b>Non Operating Revenues (Expenses)</b>	
Interest and Fiscal Charges	<u>(12,541)</u>
<i>Change in Net Position</i>	(120,416)
<i>Net Position Beginning of Year</i>	<u>2,254,056</u>
<i>Net Position End of Year</i>	<u><u>\$2,133,640</u></u>

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
**Statement of Cash Flows**  
**Enterprise Fund**  
**For the Year Ended December 31, 2016**

	<u>Waste Water</u>
<b>Increases (Decreases) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$107,375
Cash Payments to Suppliers for Services and Supplies	(91,747)
Cash Payments for Employee Services and Benefits	<u>(19,269)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(3,641)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Paid on Bonds	(4,600)
Interest Paid on Bonds	(12,679)
Principal Paid on OPWC Loans	<u>(14,196)</u>
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(31,475)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,116)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>325,114</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$289,998</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	<u>(\$107,875)</u>
<i>Adjustments:</i>	
Depreciation	62,752
(Increase) Decrease in Deferred Outflows of Resources - Pension	3,624
Increase (Decrease) in Liabilities:	
Accounts Payable	1,788
Accrued Wages and Benefits	(747)
Intergovernmental Payable	42,219
Net Pension Liability	(230)
Increase (Decrease) in Deferred Inflows of Resources	<u>(5,172)</u>
<i>Total Adjustments</i>	<u>104,234</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$3,641)</u></u>
See accompanying notes to the basic financial statements	

**City of Kirtland, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2016*

	<u>Private Purpose Trust</u>	
	<u>Cemetery</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,386	<u>\$358,837</u>
<b>Liabilities</b>		
Deposits Held and Due to Others	<u>0</u>	<u>\$358,837</u>
<b>Net Position</b>		
Held in Trust for Perpetual Care	<u>\$2,386</u>	

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, 2016*

	<u>Cemetery</u>
<b>Additions</b>	\$0
<b>Deductions</b>	<u>0</u>
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>2,386</u>
<i>Net Position End of Year</i>	<u><u>\$2,386</u></u>

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Description of the City and Reporting Entity**

***Description of the City***

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

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments, boards and agencies that are not legally separate from the City. For the City of Kirtland this includes the departments and agencies that provide the following services: police and fire protection, emergency medical, parks, recreation, a cemetery, street maintenance and waste water services.

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

The City participates in one jointly governed organization, the Northeast Ohio Public Energy Council. This organization is presented in Note 21 of the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the



**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

***Fund Accounting***

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

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

***General Fund*** This fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the City Charter and/or general laws of Ohio.

***Fire Emergency Levy Fund*** This fund accounts for and reports property tax revenues restricted for the payment of salaries and related expenditures and capital purposes of the fire department.

***Road Levy Fund*** This fund accounts for and reports property tax revenues restricted for the maintenance and repairs of City streets.

***State Route 306 and State Route 6 Fund*** This fund accounts for and reports grant monies and note issuances restricted for various capital improvements to State Route 306 and State Route 6.

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

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

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

**Measurement Focus**

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

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

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

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

**Basis of Accounting**

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants and rental revenues. 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 are reported on the government-wide statement of net position (See Note 13).

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

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

***Budgetary Process***

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

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

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

***Cash and Cash Equivalents***

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

During 2016, 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 also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. The

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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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 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 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 2016 amounted to \$1,743, which includes \$1,225 assigned from other City funds.

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

### ***Inventory***

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

### ***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. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***Interfund Balances***

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

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service. Since the City's policy limits the accrual of vacation time to one year from the employee's anniversary date, the outstanding liability is recorded as "vacation benefits payable" on the statement of net position rather than as a long-term liability.

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

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from the enterprise fund are reported on the enterprise fund 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, compensated absences and net pension liability 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 year. Bonds, capital leases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***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, 2016*

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***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. City Council assigned fund balance to cover a gap between estimated revenues and appropriations in 2017’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.

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.

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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***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 Principle**

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," GASB Statement No. 77, "Tax Abatement Disclosures," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.



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GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. The City did not have any agreements meeting the GASB 77 definition of a tax abatement.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

#### **Note 4 – Compliance and Accountability**

##### ***Compliance***

The City had a negative cash balance in the Eagle Road Resurfacing fund in the amount of \$65,207. This indicates that revenue from other sources was used to pay obligations of this fund contrary to Ohio Revised Code Section 5705.10(I). Although this cash deficit was not corrected by year end, management has indicated that cash will be closely monitored to prevent future violations.

##### ***Accountability***

The following funds had deficit fund balances as of December 31, 2016:

Capital Projects Funds:	
Sperry Road	5,031
Tibbetts Road Resurfacing	5,031
Eagle Road Resurfacing	65,207

The Eagle road capital project fund deficit is due to the timing of grant monies. The Tibbetts road resurfacing, and Sperry road resurfacing capital project funds' deficits are the result of the issuance of the short-term notes. The deficits will be eliminated once the notes are retired or bonds are issued.

The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

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**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:

<u>Fund Balances</u>	<u>General</u>	<u>Fire Emergency Levy</u>	<u>Road Levy</u>	<u>State Route 306 and State Route 6</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u><b>Nonspendable:</b></u>						
Inventory	\$127,125	\$0	\$0	\$0	\$0	\$127,125
<u><b>Restricted for:</b></u>						
Police Department Operations	0	0	0	0	10,131	10,131
Fire Department Operations	0	32,766	0	0	0	32,766
Road Levy	0	0	89,324	0	0	89,324
Senior Citizens	0	0	0	0	147,341	147,341
Street and Highway Construction, Maintenance and Repair	0	0	0	0	43,990	43,990
Emergency Medical Services	0	0	0	0	12,113	12,113
Capital Projects	0	0	0	24,687	5,652	30,339
Other Purposes	0	0	0	0	116,606	116,606
<u><b>Total Restricted</b></u>	<u>0</u>	<u>32,766</u>	<u>89,324</u>	<u>24,687</u>	<u>335,833</u>	<u>482,610</u>
<u><b>Assigned to:</b></u>						
Year 2017 Operations	216,384	0	0	0	0	216,384
Purchases on Order	0	0	0	0	0	0
Personal Services	88	0	0	0	0	88
Services and Supplies	28,338	0	0	0	0	28,338
Capital Outlay	199,280	0	0	0	0	199,280
<u><b>Total Assigned</b></u>	<u>444,090</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>444,090</u>
Unassigned (Deficit)	0	0	0	0	(75,269)	(75,269)
<u><b>Total Fund Balances (Deficit)</b></u>	<u>\$571,215</u>	<u>\$32,766</u>	<u>\$89,324</u>	<u>\$24,687</u>	<u>\$260,564</u>	<u>\$978,556</u>

**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).

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

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

	Net Change in Fund Balances		
	General	Fire Emergency Levy	Road Levy
GAAP Basis	\$303,356	(\$5,319)	\$53,825
Net Adjustment for Revenue Accruals	(1,014,904)	0	0
Net Adjustment for Expenditure Accruals	935,611	0	(27)
Encumbrances	(257,581)	0	(406)
Budget Basis	<u>(\$33,518)</u>	<u>(\$5,319)</u>	<u>\$53,392</u>

#### **Note 7 - Deposits and Investments**

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

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

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

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

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

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

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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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 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.

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;
3. Obligations of the City.

#### **Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$1,125,239 of the City's bank balance of \$1,375,239 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of

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eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2016, the City had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard and Poor's Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value Per Share: Star Ohio	\$327,249	Average 51.6 days	AAAm	N/A

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

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

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

**Note 8 – Receivables**

Receivables at December 31, 2016, 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 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits 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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$13.05 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

	<u>Assessed Values</u>
Real Property	
Residential/Agricultural	\$223,113,290
Other Real Estate	13,469,250
Public Utility Personal Property	<u>9,464,300</u>
Total Valuation	<u>\$246,046,840</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, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

#### ***Income Taxes***

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

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

#### ***Intergovernmental Receivable***

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

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Governmental Activities	Amount
Local Government	\$151,218
Homestead and Rollback	125,305
Gasoline Excise Tax	93,665
Gasoline Tax	49,080
Motor Vehicle License Tax	32,024
Permissive Tax	29,662
Grants Receivable	26,982
Other	3,688
<b>Total</b>	<b>\$511,624</b>

**Note 9 – Interfund Transactions**

***Interfund Transfers***

The following interfund transfers took place in 2016:

Transfers To	Transfers From		Total
	General	Other Governmental Funds	
General	\$0	\$55,552	\$55,552
Other Governmental Funds	247,838	119,403	367,241
<b>Total</b>	<b>\$247,838</b>	<b>\$174,955</b>	<b>\$422,793</b>

The general fund and the major capital equipment special revenue fund transferred \$247,838 and \$119,403 respectively, to the general obligation bond retirement fund for debt payment requirements. The storm sewer improvement fund transferred \$55,552 to the general fund due to the completion of the project.

***Interfund Balances***

At December 31, 2016, the general fund had an interfund receivable of \$65,207 and the Eagle road resurfacing fund had an interfund payable of \$65,207. This loan was made to support the Eagle road resurfacing project pending the receipt of charges for services monies that will be used to repay the loans. This loan is expected to be repaid in one year.

**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.

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***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, 2016, was as follows:

	Balance 1/1/2016	Additions	Deductions	Balance 12/31/2016
<b>Governmental Activities:</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,364,602	\$0	\$0	\$1,364,602
<i>Capital Assets, being depreciated</i>				
Buildings, Structures and Improvements	6,371,739	20,050	(13,137)	6,378,652
Machinery and Equipment	4,779,849	291,707	(298,947)	4,772,609
Infrastructure:				
Roads	32,825,544	65,208	0	32,890,752
Storm Sewer	1,032,484	0	0	1,032,484
<i>Total Capital Assets, being depreciated</i>	45,009,616	376,965	(312,084)	45,074,497
<i>Less Accumulated Depreciation:</i>				
Buildings, Structures and Improvements	(3,390,179)	(172,132)	12,725	(3,549,586)
Machinery and Equipment	(3,099,728)	(333,796)	265,792	(3,167,732)
Infrastructure:				
Roads	(23,691,234)	(900,380)	0	(24,591,614)
Storm Sewer	(570,462)	(41,301)	0	(611,763)
<i>Total Accumulated Depreciation</i>	(30,751,603)	(1,447,609) *	278,517	(31,920,695)
<i>Total Capital Assets being depreciated, Net</i>	14,258,013	(1,070,644)	(33,567)	13,153,802
<i>Governmental Activities Capital Assets, Net</i>	\$15,622,615	(\$1,070,644)	(\$33,567)	\$14,518,404

\* Depreciation expense was charged to governmental activities as follows:

General Government	\$70,271
Security of Persons and Property	204,668
Transportation	1,101,533
Community Environment	2,714
Leisure Time Activities	68,423
<b>Total</b>	<b>\$1,447,609</b>



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	Balance 1/1/2016	Additions	Deductions	Balance 12/31/2016
<b>Business-Type Activities:</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$124,417	\$0	\$0	\$124,417
<i>Capital Assets, being depreciated</i>				
Buildings, Structures and Improvements	155,783	0	0	155,783
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>	3,000,959	0	0	3,000,959
<i>Less Accumulated Depreciation:</i>				
Buildings, Structures and Improvements	(131,357)	(3,398)	0	(134,755)
Machinery and Equipment	(32,214)	(1,814)	0	(34,028)
Infrastructure:				
Sewer Lines	(547,636)	(57,540)	0	(605,176)
<i>Total Accumulated Depreciation</i>	(711,207)	(62,752)	0	(773,959)
<i>Total Capital Assets being depreciated, Net</i>	2,289,752	(62,752)	0	2,227,000
<i>Business-Type Activities Capital Assets, Net</i>	\$2,414,169	(\$62,752)	\$0	\$2,351,417

## **Note 12 - Risk Management**

### ***Workers' Compensation***

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

### ***Property and Liability***

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2015, the City contracted with various insurance agencies for various types of insurance. The type, coverage, and deductibles for the City's insurance follows:

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Type	Coverage	Deductible
Wichert Insurance Agency:		
Commercial Property	\$11,813,037	\$1,000
Earthquake and Flood	500,000	25,000
Boiler Machinery and Machinery	11,813,037	1,000
Leased/Rental Equipment	185,000	1,000
Inland Marine	876,450	1,000
Commercial General Liability	1,000,000	0
Umbrella Liability	4,000,000	0
Commercial Automotive	1,000,000	500
Uninsured Motorists	50,000	0
Love Insurance Agency:		
Law Enforcement	1,000,000	5,000
Public Officials	1,000,000	5,000
Employment Practices	1,000,000	7,500
Finance Director	100,000	0

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**

#### ***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions 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 liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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 this estimate 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.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. 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 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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

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

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

	<u>State and Local</u>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$191,807 for 2016. Of this amount, \$21,705 is reported as an intergovernmental payable.

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

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

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

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

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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.

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 and statutory survivors.

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 (CPI) over the 12-month period ending on September 30 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 three 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:

	<u>Police</u>	<u>Firefighters</u>
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
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 \$296,723 for 2016. Of this amount, \$43,718 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability 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:

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	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.012889%	0.0671060%	
Prior Measurement Date	<u>0.013139%</u>	<u>0.0645996%</u>	
Change in Proportionate Share	<u>-0.0002500%</u>	<u>0.0025064%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,232,537	\$4,316,976	\$6,549,513
Pension Expense	\$303,853	\$605,794	\$909,647

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$656,226	\$702,638	\$1,358,864
Changes in proportion and differences between City contributions and proportionate share of contributions	0	104,177	104,177
City contributions subsequent to the measurement date	<u>191,807</u>	<u>296,723</u>	<u>488,530</u>
Total Deferred Outflows of Resources	<u>\$848,033</u>	<u>\$1,103,538</u>	<u>\$1,951,571</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$43,136	\$12,122	\$55,258
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>19,895</u>	<u>0</u>	<u>\$19,895</u>
Total Deferred Inflows of Resources	<u>\$63,031</u>	<u>\$12,122</u>	<u>\$75,153</u>

\$488,530 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 in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2017	\$134,343	\$202,761	\$337,104
2018	144,836	202,761	347,597
2019	165,512	202,761	368,273
2020	148,504	162,525	311,029
2021	0	20,073	20,073
Thereafter	0	3,812	3,812
Total	<u>\$593,195</u>	<u>\$794,693</u>	<u>\$1,387,888</u>

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, 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 valuations are presented below.

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

Mortality rates were 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.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

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OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 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	\$3,556,977	\$2,232,537	\$1,115,414



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***Changes between Measurement Date and Report Date***

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

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

The most recent experience study was completed January 1, 2012.

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 expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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, 2015, are summarized below:

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Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	120.00 %		

Note: Assumptions are geometric.

\* levered 2x

\*\* Numbers are net of expected inflation

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

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 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 (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$5,693,513	\$4,316,976	\$3,150,914

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**Note 14 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, 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.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

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In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015 and 2014 was \$31,968, \$32,084 and \$31,842 respectively. For 2016, 85.71 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

***Police and Fire Pension Fund***

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF website at [www.opf.org](http://www.opf.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF 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. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contribution

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allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF 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 contribution to OPF for the years ended December 31, 2016, 2015 and 2014 were \$303,704, \$292,521 and \$276,431 respectively, of which \$6,981, \$6,714 and \$5,996 respectively, was allocated to the healthcare plan. For 2016, 97.68 percent has been contributed for both police and firefighters with the balance being reported as an *intergovernmental payable*. The full amount has been contributed for 2015 and 2014.

## **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 52.5 hours per week, they would earn 6.115 hours per pay, for a maximum of 159 hours per year. Sick leave accrual is continuous, without limit. Upon retirement, an employee with ten years of continuous service or more is paid at their current rate of pay for the first 320 hours of unused sick leave. Any remaining time is paid at a rate of \$20 for each eight hours of sick time.

### ***Health Insurance***

The City provides hospitalization, medical, dental, vision and life insurance for all full time employees. Starting January 1, 2015 the City entered into a three year contract with the Lake County Board of Commissioners to participate in their group health plan. Anthem provided the hospitalization and medical insurance in 2015. Employees pay ten percent of the premium up to a maximum of \$150 per month effective January 2015. Principal provides the dental insurance which is paid entirely by the City. EyeMed Vision Care provides vision insurance which is paid entirely by the City. The plan covers lenses, contacts and routine office exams. Principal provides life insurance and core accidental death insurance of \$20,000 which is paid entirely by the City. Employees are able to add extra insurance once a year for themselves, their spouse or children up to \$500,000 or five times their annual salary, whichever is less, paid by the employee through payroll deductions.

## **Note 16 - Operating Lease**

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

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**Note 17 – Short-Term Obligations**

A summary of note transactions for the year ended December 31, 2016 follows:

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16
<b>General Fund:</b>				
2010 Plow Truck	\$10,000	\$15,000	(\$10,000)	\$15,000
Emergency Radio Equipment	5,000	10,000	(5,000)	10,000
Service Plow Truck - 2012	10,000	25,000	(10,000)	25,000
Service Plow Truck - 2013	10,000	10,000	(10,000)	10,000
Truck (Service Department) - 2014	10,000	10,000	(10,000)	10,000
Computer System Upgrades - 2014	5,000	10,000	(5,000)	10,000
Roof HVAC System (City Hall) - 2016	0	10,000	0	10,000
<b>Total General Fund</b>	<b>50,000</b>	<b>90,000</b>	<b>(50,000)</b>	<b>90,000</b>
<b>Major Capital Equipment Fund:</b>				
Ambulance	10,000	10,000	(10,000)	10,000
<b>Sperry Road Improvements:</b>				
Road Improvements - 2015	80,000	5,000	(80,000)	5,000
<b>Tibbetts Road Fund:</b>				
Tibbetts Road Completion - 2014	5,000	5,000	(5,000)	5,000
<b>State Route 306 and 6 Fund:</b>				
State Route 306 and 6 Intersection	5,000	5,000	(5,000)	5,000
State Route 6 and Sperry Road	10,000	10,000	(10,000)	10,000
State Route 6 Resurfacing	15,000	15,000	(15,000)	15,000
Lakeland Traffic Signal/306	10,000	10,000	(10,000)	10,000
Lakeland Turn Lanes/306	40,000	0	(40,000)	0
Lakeland Turn Lanes (Phase II) - 2014	55,000	10,000	(55,000)	10,000
<b>Total State Route 306 and 6 Fund</b>	<b>135,000</b>	<b>50,000</b>	<b>(135,000)</b>	<b>50,000</b>
<b>Total</b>	<b>\$280,000</b>	<b>\$160,000</b>	<b>(\$280,000)</b>	<b>\$160,000</b>

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 30, 2017 and the notes have an interest rate of one 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 \$160,000 liability above represents the portion of these notes which will be paid down in 2017. The remaining balance of these notes is reported as a long-term liability (See Note 18).

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**Note 18 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<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>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>			
2010 Plow Truck	1.00	50,000	June 30, 2017
Emergency Radio Equipment - 2012	1.00	25,000	June 30, 2017
Truck (Service Department) - 2012	1.00	100,000	June 30, 2017
Truck (Service Department) - 2013	1.00	160,000	June 30, 2017
Truck (Service Department) - 2014	1.00	175,000	June 30, 2017
Plow Truck - Service Department - 2015	1.00	180,000	June 30, 2017
Roof and HVAC System (City Hall) - 2015	1.00	250,000	June 30, 2017
Roof and HVAC System (Fire Station) - 2015	1.00	100,000	June 30, 2017
Computer System Upgrades - 2014	1.00	90,000	June 30, 2017
Arborhurst and Singlefoot Roads - 2016	1.00	200,000	June 30, 2017
Road Equipment - 2016	1.00	100,000	June 30, 2017
Fire Squad - 2016	1.00	200,000	June 30, 2017
Ambulance - 2012	1.00	60,000	June 30, 2017
Sperry Road Improvements - 2015	1.00	120,000	June 30, 2017
Tibbetts Road Completion - 2014	1.00	45,000	June 30, 2017
Worrell Road Resurfacing - 2016	1.00	45,000	June 30, 2017
State Route 306 and 6 Intersection - 2012	1.00	80,000	June 30, 2017
State Route 6 and Sperry Road - 2012	1.00	90,000	June 30, 2017
State Route 6 Resurfacing - 2012	1.00	145,000	June 30, 2017
Lakeland Traffic Signal/306 - 2012	1.00	30,000	June 30, 2017
Lakeland Turn Lanes (Phase II) - 2014	1.00	120,000	June 30, 2017
State Route 306 Slope Stabilization - 2016	1.00	75,000	June 30, 2017

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

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

	Balance 1/1/16	Additions	Reductions	Balance 12/31/16	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<i>General Obligation Bonds:</i>					
Templeview Sewer Project	\$289,800	\$0	(\$4,600)	\$285,200	\$4,800
<i>OPWC Loan:</i>					
Templeview Sewer	156,153	0	(14,196)	141,957	14,195
<i>Net Pension Liability:</i>					
OPERS	31,694	0	(9,367)	22,327	0
<b>Total Business-Type Activities</b>	<b>\$477,647</b>	<b>\$0</b>	<b>(\$28,163)</b>	<b>\$449,484</b>	<b>\$18,995</b>
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Various Purpose Bonds 2006:					
State Route 306 Improvement	\$681,409	\$0	(\$681,409)	\$0	\$0
Parks and Recreation Purposes	419,827	0	(419,827)	0	0
Service Facility	129,177	0	(129,177)	0	0
Senior Center	64,587	0	(64,587)	0	0
Unamortized Premium	36,163	0	(36,163)	0	0
Total Various Purpose Bonds	1,331,163	0	(1,331,163)	0	0
Various Purpose Bonds 2012:					
Civic Center	156,888	0	(156,888)	0	0
Fire Department	56,907	0	(56,907)	0	0
Waste Water	12,205	0	(12,205)	0	0
Total Various Purpose Bonds	226,000	0	(226,000)	0	0
Various Purpose Refunding Bonds 2016:					
State Route 306 Improvement	0	662,729	0	662,729	54,986
Parks and Recreation Purposes	0	408,318	0	408,318	33,878
Service Facility	0	125,636	0	125,636	10,424
Senior Center	0	62,817	0	62,817	5,212
Total Various Purpose Refunding Bonds	0	1,259,500	0	1,259,500	104,500
<b>Total General Obligation Bonds</b>	<b>1,557,163</b>	<b>1,259,500</b>	<b>(1,557,163)</b>	<b>1,259,500</b>	<b>104,500</b>
<i>OPWC Loans:</i>					
Route 306 Widening, Phase II 2005	26,250	0	(2,500)	23,750	2,500
Route 306 and Route 6 Intersection	39,473	0	(2,631)	36,842	2,631
Route 306 at Lakeland Community College	44,925	0	(3,100)	41,825	3,100
<b>Total OPWC Loans</b>	<b>\$110,648</b>	<b>\$0</b>	<b>(\$8,231)</b>	<b>\$102,417</b>	<b>\$8,231</b>

(continued)



**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

	Balance 1/1/16	Additions	Reductions	Balance 12/31/16	Amounts Due in One Year
<b>Governmental Activities (continued):</b>					
<b>Long-Term Notes Payable:</b>					
2010 Plow Truck	\$40,000	\$25,000	(\$40,000)	\$25,000	\$0
Emergency Radio Equipment	20,000	10,000	(20,000)	10,000	0
Truck (Service Department) - 2012	90,000	65,000	(90,000)	65,000	0
Truck (Service Department) - 2013	150,000	140,000	(150,000)	140,000	0
Truck (Service Department) - 2014	165,000	155,000	(165,000)	155,000	0
Plow Truck (Service Department) - 2015	180,000	75,000	(180,000)	75,000	0
Roof and HVAC System (City Hall)	250,000	180,000	(250,000)	180,000	0
Roof and HVAC System (Fire Station)	100,000	240,000	(100,000)	240,000	0
Computer System Upgrades - 2014	85,000	100,000	(85,000)	100,000	0
Arborhurst and Singlefood Roads - 2016	0	200,000	0	200,000	0
Road Equipment - 2016	0	100,000	0	100,000	0
Fire Squad - 2016	0	200,000	0	200,000	0
Ambulance - 2012	50,000	40,000	(50,000)	40,000	0
Sperry Road Improvements -2015	40,000	35,000	(40,000)	35,000	0
Tibbetts Road Completion - 2014	40,000	35,000	(40,000)	35,000	0
Worrell Road Resurfacing - 2016	0	45,000	0	45,000	0
State Route 306 and 6 Intersection	75,000	70,000	(75,000)	70,000	0
State Route 6 and Sperry Road	80,000	70,000	(80,000)	70,000	0
State Route 6 Resurfacing	130,000	115,000	(130,000)	115,000	0
Lakeland Traffic Signal/306	20,000	10,000	(20,000)	10,000	0
Lakeland Turn Lanes (Phase II) - 2014	65,000	55,000	(65,000)	55,000	0
State Route 306 Slope Stabilization - 2016	0	75,000	0	75,000	0
<b>Total Long-Term Notes Payable</b>	<b>1,580,000</b>	<b>2,040,000</b>	<b>(1,580,000)</b>	<b>2,040,000</b>	<b>0</b>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	281,718	18,740	(3,849)	296,609	4,322
Capital Leases	168,991	71,017	(61,809)	178,199	58,970
<b>Total Other Long-Term Obligations</b>	<b>450,709</b>	<b>89,757</b>	<b>(65,658)</b>	<b>474,808</b>	<b>63,292</b>
<b>Net Pension Liability:</b>					
OPERS	1,553,017	657,193	0	2,210,210	0
OPF	3,346,528	970,448	0	4,316,976	0
<b>Total Net Pension Liability</b>	<b>4,899,545</b>	<b>1,627,641</b>	<b>0</b>	<b>6,527,186</b>	<b>0</b>
<b>Total Governmental Activities</b>	<b>\$8,598,065</b>	<b>\$5,016,898</b>	<b>(\$3,211,052)</b>	<b>\$10,403,911</b>	<b>\$176,023</b>

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.

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

In 2006, the City issued \$2,005,000 in twenty year various purpose general obligation bonds with interest rates varying from 3.75 percent to 5.00 percent. The bond proceeds were used for the State Route 306 improvement, park and recreational purpose improvements, and equipping and improving the City's service facility and senior center. These bonds were fully refunded in 2016.

In 2012, the City issued general obligation bonds, in the amount of \$869,750, to currently refund bonds previously issued in 1998. The current refunding was undertaken to take advantage of lower interest rates. The bonds were issued with an interest rate of 1.80 percent and were issued for a four year period with final maturity on December 1, 2016.

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

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

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

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

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

During 2016, the City issued \$2,200,000 in bond anticipation notes which were used to retire the 2015 1,860,000 in bond anticipation notes and for the purchase of new equipment. Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as long-term liabilities and therefore, have been excluded from the amount due in more than one year.

Compensated absences will be paid from the general fund. Capital leases will be paid from the road levy fund. The City pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability. 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 see Note 13.

The City's overall legal debt margin was \$22,273,001 with an unvoted debt margin of \$9,970,659 at December 31, 2016. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016 are as follows:

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

	Governmental Activities			Business-Type Activity		
	General Obligation		OPWC	General Obligation		OPWC
	Bonds		Loan	Bonds		Loan
	Principal	Interest	Principal	Principal	Interest	Principal
2017	\$104,500	\$32,729	\$8,231	\$4,800	\$13,547	\$14,195
2018	117,000	26,097	8,232	5,000	13,319	14,196
2019	119,500	23,282	8,231	5,200	13,082	14,196
2020	122,500	20,403	8,232	5,400	12,835	14,195
2021	125,000	17,457	8,232	5,700	12,578	14,196
2022-2026	671,000	40,698	39,908	32,200	58,606	70,979
2027-2031	0	0	21,351	39,900	50,265	0
2032-2036	0	0	0	49,600	39,901	0
2037-2041	0	0	0	61,500	27,043	0
2042-2046	0	0	0	75,900	11,124	0
Total	<u>\$1,259,500</u>	<u>\$160,666</u>	<u>\$102,417</u>	<u>\$285,200</u>	<u>\$252,300</u>	<u>\$141,957</u>

**Note 19 - Capital Leases**

The City has entered into capitalized leases for road machinery and for 2 police interceptor vehicles. The leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for governmental funds.

	Governmental Activities
Road Machinery	\$188,758
Police Interceptor Vehicles	71,017
Less: Accumulated Depreciation	(81,422)
Total	<u>\$178,353</u>

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, 2016.

	Governmental Activities
2017	\$66,057
2018	66,058
2019	40,430
2020	18,165
Total Minimum Lease Payments	190,710
Less: Amount representing interest	(12,511)
Present Value of Minimum Lease Payments	<u>\$178,199</u>

Capital lease payments have been reclassified and reflected as debt service in the fund financial statement for the general fund. These expenditures are reflected as program expenditures on a budgetary basis.

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**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:

	<u>Amount</u>		<u>Amount</u>
Governmental Funds:		Proprietary Fund:	
General	\$257,581	Waste Water	<u>\$3,994</u>
Road Levy	406		
Other Governmental Funds	<u>1,718</u>		
Total Governmental Funds	<u>\$259,705</u>		

**Note 21 – Jointly Governed Organization**

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

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the nine-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation programs. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2016. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 4413.

**Note 22 – Subsequent Events**

During June, 2017, the City retired \$2,200,000 in general obligation bond anticipation notes and issued \$2,040,000 in new notes. The new notes have a maturity of June 30, 2018 and an interest rate of 1.00 percent.

During June, 2017, the City issued a \$400,000 note to finance the acquisition of a new fire engine. The new notes have a maturity of June 30, 2018 and an interest rate of 1.00 percent.

During June, 2017, the City issued a \$100,000 note to finance phase II of City Hall project. The new notes have a maturity of June 30, 2018 and an interest rate of 1.00 percent.

## **Required Supplementary Information**

**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 Three Years (1)*

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.012889%	0.013139%	0.013139%
City's Proportionate Share of the Net Pension Liability	\$2,232,537	\$1,584,711	\$1,548,917
City's Covered-Employee Payroll	\$1,604,217	\$1,610,883	\$1,567,092
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.17%	98.38%	98.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

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

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

**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 Three Years (1)**

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0671060%	0.0645996%	0.0645996%
City's Proportionate Share of the Net Pension Liability	\$4,316,976	\$3,346,528	\$3,146,203
City's Covered-Employee Payroll	\$1,342,602	\$1,266,312	\$1,297,154
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	321.54%	264.27%	242.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

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

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

**City of Kirtland, Ohio**  
*Required Supplementary Information*  
**Schedule of City Contributions**  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Four Years (1)*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$191,807	\$192,506	\$193,306	\$203,722
Contributions in Relation to the Contractually Required Contribution	<u>(191,807)</u>	<u>(192,506)</u>	<u>(193,306)</u>	<u>(203,722)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,598,392	\$1,604,217	\$1,610,883	\$1,567,092
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.



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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$296,723	\$285,807	\$270,435	\$235,746
Contributions in Relation to the Contractually Required Contribution	<u>(296,723)</u>	<u>(285,807)</u>	<u>(270,435)</u>	<u>(235,746)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,396,114	\$1,342,602	\$1,266,312	\$1,297,154
Contributions as a Percentage of Covered-Employee Payroll	21.25%	21.29%	21.36%	18.17%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$189,023	\$190,546	\$182,156	\$182,068	\$181,481	\$177,564
<u>(189,023)</u>	<u>(190,546)</u>	<u>(182,156)</u>	<u>(182,068)</u>	<u>(181,481)</u>	<u>(177,564)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,255,268	\$1,263,338	\$1,202,174	\$1,208,891	\$1,206,877	\$1,185,428
15.06%	15.08%	15.15%	15.06%	15.04%	14.98%

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