



Dave Yost • Auditor of State

**CITY OF KIRTLAND
LAKE COUNTY**

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**CITY OF KIRTLAND
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio, (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Fire Emergency Levy Fund, and Road Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2016

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The discussion and analysis of the City of Kirtland's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. 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 2015 are:

- In 2015, the City started a comprehensive road rebuilding and resurfacing program based on the new road levy.
- Total governmental program expenses increased slightly as the City continues to provide the services our residents expect while carefully monitoring costs.
- During 2015, the City issued \$1,860,000 in general obligation notes which was used to retire the 2014 \$1,415,000 in general obligation notes and for the purchase of new equipment.

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 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all (non-fiduciary) assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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

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

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

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The City of Kirtland as a Whole

The *Statement of Net Position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2015 compared to 2014.

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$4,544,626	\$4,460,002	\$325,114	\$351,952	\$4,869,740	\$4,811,954
Capital Assets, Net	15,622,615	15,460,167	2,414,169	2,476,925	18,036,784	17,937,092
<i>Total Assets</i>	<u>20,167,241</u>	<u>19,920,169</u>	<u>2,739,283</u>	<u>2,828,877</u>	<u>22,906,524</u>	<u>22,749,046</u>
Deferred Outflows of Resources:						
Pension	701,559	459,785	5,541	3,866	707,100	463,651
Current and Other Liabilities	872,989	700,123	12,564	10,948	885,553	711,071
Long-Term Liabilities:						
Due Within One Year	369,262	354,657	18,796	18,596	388,058	373,253
Due in More than One Year:						
Pension	4,899,545	4,664,142	31,694	30,978	4,931,239	4,695,120
Other Amounts	3,329,258	3,104,221	427,157	445,953	3,756,415	3,550,174
<i>Total Liabilities</i>	<u>9,471,054</u>	<u>8,823,143</u>	<u>490,211</u>	<u>506,475</u>	<u>9,961,265</u>	<u>9,329,618</u>
Deferred Inflows of Resources:						
Property Taxes	1,975,890	1,884,570	0	0	1,975,890	1,884,570
Pension	27,283	0	557	0	27,840	0
<i>Total Deferred Inflows of Resources</i>	<u>2,003,173</u>	<u>1,884,570</u>	<u>557</u>	<u>0</u>	<u>2,003,730</u>	<u>1,884,570</u>
Net Investment in Capital Assets	11,938,018	12,169,295	1,968,216	2,012,376	13,906,234	14,181,671
Restricted:						
Capital Projects	225,425	418,457	0	0	225,425	418,457
Fire	91,449	97,106	0	0	91,449	97,106
Street Construction,						
Maintenance and Repair	231,011	182,460	0	0	231,011	182,460
Senior Citizens	166,642	152,788	0	0	166,642	152,788
Other Purposes	145,177	236,008	0	0	145,177	236,008
Unrestricted (Deficit)	<u>(3,403,149)</u>	<u>(3,583,873)</u>	<u>285,840</u>	<u>313,892</u>	<u>(3,117,309)</u>	<u>(3,269,981)</u>
<i>Total Net Position</i>	<u>\$9,394,573</u>	<u>\$9,672,241</u>	<u>\$2,254,056</u>	<u>\$2,326,268</u>	<u>\$11,648,629</u>	<u>\$11,998,509</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed that follow, 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.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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.

Under the new standards required by GASB 68, the net pension liability equals 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.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$13,876,598 to \$9,672,241 for governmental activities and from \$2,353,380 to \$2,326,268 for business type activity.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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 \$9,394,573 at year-end for governmental activities. By far the largest portion of the City's net position is its investment in capital assets including land, buildings, machinery and equipment, roads, storm sewer lines, and sewer lines net of related debt. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Kirtland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Table 2 shows the changes in net position for the years ended December 31, 2015, as compared to 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$468,141	\$568,349	\$115,213	\$156,858	\$583,354	\$725,207
Operating Grants and Contributions	626,400	675,473	0	0	626,400	675,473
Capital Grants	457,191	282,896	0	0	457,191	282,896
Total Program Revenues	<u>1,551,732</u>	<u>1,526,718</u>	<u>115,213</u>	<u>156,858</u>	<u>1,666,945</u>	<u>1,683,576</u>
General Revenues						
Property Taxes	2,033,468	1,536,195	0	0	2,033,468	1,536,195
Municipal Income Taxes	3,302,847	3,070,145	0	0	3,302,847	3,070,145
Grants and Entitlements	483,158	266,575	0	0	483,158	266,575
Investment Earnings	359	117	0	0	359	117
Gain on Sale of Capital Assets	0	212	0	0	0	212
Miscellaneous	72,895	132,470	0	103,913	72,895	236,383
Total General Revenues	<u>5,892,727</u>	<u>5,005,714</u>	<u>0</u>	<u>103,913</u>	<u>5,892,727</u>	<u>5,109,627</u>
Total Revenues	<u>7,444,459</u>	<u>6,532,432</u>	<u>115,213</u>	<u>260,771</u>	<u>7,559,672</u>	<u>6,793,203</u>
Program Expenses						
General Government	2,053,158	1,990,957	0	0	2,053,158	1,990,957
Security of Persons and Property	2,713,337	2,602,307	0	0	2,713,337	2,602,307
Transportation	2,333,093	2,420,209	0	0	2,333,093	2,420,209
Community Environment	144,283	79,296	0	0	144,283	79,296
Leisure Time Activities	387,901	462,552	0	0	387,901	462,552
Interest and Fiscal Charges	90,355	92,801	0	0	90,355	92,801
Waste Water	0	0	187,425	432,897	187,425	432,897
Total Program Expenses	<u>7,722,127</u>	<u>7,648,122</u>	<u>187,425</u>	<u>432,897</u>	<u>7,909,552</u>	<u>8,081,019</u>
Change in Net Position	(277,668)	(1,115,690)	(72,212)	(172,126)	(349,880)	(1,287,816)
Net Position Beginning of Year - Restated (See note 3)	<u>9,672,241</u>	<u>N/A</u>	<u>2,326,268</u>	<u>N/A</u>	<u>11,998,509</u>	<u>N/A</u>
Net Position End of Year	<u>\$9,394,573</u>	<u>\$9,672,241</u>	<u>\$2,254,056</u>	<u>\$2,326,268</u>	<u>\$11,648,629</u>	<u>\$11,998,509</u>

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$463,651 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$498,823. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expense under GASB 68	\$7,722,127	\$187,425	\$7,909,552
Pension expense under GASB 68	(495,375)	(3,448)	(498,823)
2015 contractually required contribution	474,463	3,850	478,313
Adjusted 2015 program expenses	7,701,215	187,827	7,889,042
Total 2014 program expenses under GASB 27	7,648,122	432,897	8,081,019
Increase (Decrease) in program expenses not related to pension	\$53,093	(\$245,070)	(\$191,977)

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.

Security of persons and property include the police and fire departments, accounted for program expenses of \$2,713,337 which is 35.14 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 three 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 2015, 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.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Total revenues for governmental activities increased in 2015 due to property tax revenues generated by the new road levy. 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 slightly in 2015 compared to 2014 due to rising costs and were offset partially by concerted efforts of the City to keep expenses low. This increase was offset by the City's concerted effort to keep expenses low while still providing the services the residents have come to expect. General government, security of persons and property and transportation expenses are the three main sources of expenses. These activities include police protection, fire protection, road maintenance, planning/zoning, mayoral office and finance office.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
General Government	\$2,053,158	\$1,990,957	(\$1,923,414)	(\$1,821,667)
Security of Persons and Property	2,713,337	2,602,307	(2,331,970)	(2,160,644)
Transportation	2,333,093	2,420,209	(1,409,377)	(1,637,199)
Community Environment	144,283	79,296	(133,450)	(72,618)
Leisure Time Activities	387,901	462,552	(281,829)	(336,475)
Interest and Fiscal Charges	90,355	92,801	(90,355)	(92,801)
Total	\$7,722,127	\$7,648,122	(\$6,170,395)	(\$6,121,404)

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 35.14 percent of total 2015 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. As of December 31, 2015, 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.

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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 2015. 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 can be found on page 18 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 general fund saw an increase in fund balance due an increase in municipal income taxes and intergovernmental revenue. The road levy special revenue fund had a significant increase in fund balance due to its first collections of property taxes. The fire emergency levy special revenue fund increased due to property tax collections. The State Route 306 and State Route 6 capital projects fund had a significant decrease in fund balance due to the City's commitment of road resurfacing.

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 2015, the City amended its general fund budget from the original certified revenues. All capital projects and requests for capital type purchases in excess of \$25,000 must be reviewed and approved individually by the Mayor, after which they are sent to the formal Council meeting for ordinance enactment on the purchase. The legal level of budgetary control has been established by Council at the personal services, contractual services/supplies and capital outlay object levels for each function for all funds. The Finance Director, with approval from the Mayor or City Council, has been authorized to allocate appropriations to more detailed function and object levels within each fund.

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

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows 2015 balances of capital assets as compared to 2014.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,364,602	\$1,364,602	\$124,417	\$124,417	\$1,489,019	\$1,489,019
Buildings, Structures and Improvements	3,030,595	3,029,685	24,426	27,829	3,055,021	3,057,514
Machinery and Equipment	1,357,867	1,249,974	14,291	16,105	1,372,158	1,266,079
Infrastructure						
Roads	9,109,406	9,014,462	0	0	9,109,406	9,014,462
Storm Sewers	760,145	801,444	0	0	760,145	801,444
Sewer Lines	0	0	2,251,035	2,308,574	2,251,035	2,308,574
Total	\$15,622,615	\$15,460,167	\$2,414,169	\$2,476,925	\$18,036,784	\$17,937,092

Governmental capital assets increased due primarily to the construction of a new road which caused total capital asset additions to exceed annual depreciation.

The City continues to improve the safety and traffic flow on its roads. This has been accomplished by the commitment to continue road resurfacing as well as the installation of storm sewers.

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	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$1,557,163	\$1,868,779	\$289,800	\$294,200	\$1,846,963	\$2,162,979
OPWC Loans	110,648	118,892	156,153	170,349	266,801	289,241
Capital Leases	168,991	0	0	0	168,991	0
Long-Term Notes	1,580,000	1,210,000	0	0	1,580,000	1,210,000
Short-Term Notes	280,000	205,000	0	0	280,000	205,000
Total	\$3,696,802	\$3,402,671	\$445,953	\$464,549	\$4,142,755	\$3,867,220

City of Kirtland, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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.

In 2015, the City issued \$1,860,000 in general obligation notes which were used to retire the 2014 \$1,415,000 in general obligation notes and for the purchase of a service truck and HVAC systems for city hall and the fire station. See Notes 18 and 19 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.

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 2015 edition of Cleveland Magazine. Also in 2015, 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.

Basic Financial Statements

City of Kirtland, Ohio

Statement of Net Position

December 31, 2015

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$838,948	\$325,114	\$1,164,062
Materials and Supplies Inventory	196,156	0	196,156
Accounts Receivable	34,028	0	34,028
Intergovernmental Receivable	518,370	0	518,370
Municipal Income Taxes Receivable	929,600	0	929,600
Property Taxes Receivable	2,027,524	0	2,027,524
Non-Depreciable Capital Assets	1,364,602	124,417	1,489,019
Depreciable Capital Assets, Net	14,258,013	2,289,752	16,547,765
<i>Total Assets</i>	<u>20,167,241</u>	<u>2,739,283</u>	<u>22,906,524</u>
Deferred Outflows of Resources			
Pension	701,559	5,541	707,100
Liabilities			
Accounts Payable	67,942	2,216	70,158
Accrued Wages and Benefits	230,435	1,010	231,445
Vacation Benefits Payable	110,195	0	110,195
Intergovernmental Payable	169,449	1,922	171,371
Accrued Interest Payable	14,968	7,416	22,384
Notes Payable	280,000	0	280,000
Long-Term Liabilities:			
Due Within One Year	369,262	18,796	388,058
Due In More Than One Year			
Net Pension Liability (See Note 13)	4,899,545	31,694	4,931,239
Other Amounts Due In More Than One Year	3,329,258	427,157	3,756,415
<i>Total Liabilities</i>	<u>9,471,054</u>	<u>490,211</u>	<u>9,961,265</u>
Deferred Inflows of Resources			
Property Taxes	1,975,890	0	1,975,890
Pension	27,283	557	27,840
<i>Total Deferred Inflows of Resources</i>	<u>2,003,173</u>	<u>557</u>	<u>2,003,730</u>
Net Position			
Net Investment in Capital Assets	11,938,018	1,968,216	13,906,234
Restricted for:			
Capital Projects	225,425	0	225,425
Fire	91,449	0	91,449
Street Construction, Maintenance and Repair	231,011	0	231,011
Senior Citizens	166,642	0	166,642
Other Purposes	145,177	0	145,177
Unrestricted (Deficit)	(3,403,149)	285,840	(3,117,309)
<i>Total Net Position</i>	<u>\$9,394,573</u>	<u>\$2,254,056</u>	<u>\$11,648,629</u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Activities
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
Governmental Activities				
General Government	\$2,053,158	\$129,744	\$0	\$0
Security of Persons and Property	2,713,337	250,921	130,446	0
Transportation	2,333,093	70,826	395,699	457,191
Community Environment	144,283	9,533	1,300	0
Leisure Time Activities	387,901	7,117	98,955	0
Interest and Fiscal Charges	90,355	0	0	0
<i>Total Governmental Activities</i>	7,722,127	468,141	626,400	457,191
Business-Type Activity				
Waste Water	187,425	115,213	0	0
<i>Total</i>	\$7,909,552	\$583,354	\$626,400	\$457,191

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
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Position

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

Net Position End of Year

See accompanying notes to the basic financial statements

Net Revenue (Expense) and Changes in Net Position		
Governmental Activities	Business-Type Activiy	Total
(\$1,923,414)	\$0	(\$1,923,414)
(2,331,970)	0	(2,331,970)
(1,409,377)	0	(1,409,377)
(133,450)	0	(133,450)
(281,829)	0	(281,829)
(90,355)	0	(90,355)
(6,170,395)	0	(6,170,395)
0	(72,212)	(72,212)
(6,170,395)	(72,212)	(6,242,607)
552,511	0	552,511
704,961	0	704,961
109,071	0	109,071
61,382	0	61,382
477,372	0	477,372
128,171	0	128,171
3,302,847	0	3,302,847
483,158	0	483,158
359	0	359
72,895	0	72,895
5,892,727	0	5,892,727
(277,668)	(72,212)	(349,880)
9,672,241	2,326,268	11,998,509
<u>\$9,394,573</u>	<u>\$2,254,056</u>	<u>\$11,648,629</u>

City of Kirtland, Ohio

Balance Sheet

Governmental Funds

December 31, 2015

	General	Fire Emergency Levy	Road Levy	State Route 306 and State Route 6	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$297,036	\$38,085	\$35,805	\$91,790	\$376,232	\$838,948
Materials and Supplies Inventory	196,156	0	0	0	0	196,156
Accounts Receivable	25,239	0	0	0	8,789	34,028
Interfund Receivable	15,427	0	0	0	0	15,427
Intergovernmental Receivable	239,889	45,833	5,090	0	227,558	518,370
Municipal Income Taxes Receivable	929,600	0	0	0	0	929,600
Property Taxes Receivable	560,417	572,657	462,606	0	431,844	2,027,524
<i>Total Assets</i>	<u>\$2,263,764</u>	<u>\$656,575</u>	<u>\$503,501</u>	<u>\$91,790</u>	<u>\$1,044,423</u>	<u>\$4,560,053</u>
Liabilities						
Accounts Payable	\$63,952	\$0	\$306	\$0	\$3,684	\$67,942
Accrued Wages and Benefits	230,435	0	0	0	0	230,435
Interfund Payable	0	0	0	0	15,427	15,427
Intergovernmental Payable	169,449	0	0	0	0	169,449
Accrued Interest Payable	250	0	0	675	475	1,400
Notes Payable	50,000	0	0	135,000	95,000	280,000
<i>Total Liabilities</i>	<u>514,086</u>	<u>0</u>	<u>306</u>	<u>135,675</u>	<u>114,586</u>	<u>764,653</u>
Deferred Inflows of Resources						
Property Taxes	553,159	565,126	457,229	0	400,376	1,975,890
Unavailable Revenue	928,660	53,364	10,467	0	225,278	1,217,769
<i>Total Deferred Inflows of Resources</i>	<u>1,481,819</u>	<u>618,490</u>	<u>467,696</u>	<u>0</u>	<u>625,654</u>	<u>3,193,659</u>
Fund Balances						
Nonspendable	196,156	0	0	0	0	196,156
Restricted	0	38,085	35,499	0	327,138	400,722
Assigned	71,703	0	0	0	0	71,703
Unassigned (Deficit)	0	0	0	(43,885)	(22,955)	(66,840)
<i>Total Fund Balances (Deficit)</i>	<u>267,859</u>	<u>38,085</u>	<u>35,499</u>	<u>(43,885)</u>	<u>304,183</u>	<u>601,741</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$2,263,764</u>	<u>\$656,575</u>	<u>\$503,501</u>	<u>\$91,790</u>	<u>\$1,044,423</u>	<u>\$4,560,053</u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2015*

Total Governmental Fund Balances	\$601,741
 <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.	15,622,615
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	52,273
Municipal Income Taxes	709,910
Intergovernmental	431,180
Rentals	24,406
Total	1,217,769
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(13,568)
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.	(110,195)
Long-term liabilities are not due and payable in the current period therefore are not reported in the funds:	
General Obligation Bonds	(1,557,163)
OPWC Loans	(110,648)
General Obligation Notes	(1,580,000)
Compensated Absences	(281,718)
Capital Leases	(168,991)
Total	(3,698,520)
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	701,559
Net Pension Liability	(4,899,545)
Deferred Inflows - Pension	(27,283)
Total	(4,225,269)
<i>Net Position of Governmental Activities</i>	\$9,394,573

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, 2015

	General	Fire Emergency Levy	Road Levy	State Route 306 and State Route 6	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$562,698	\$583,360	\$471,995	\$0	\$411,404	\$2,029,457
Municipal Income Taxes	3,210,511	0	0	0	0	3,210,511
Charges for Services	70,372	0	0	0	156,373	226,745
Licenses and Permits	23,201	0	0	0	0	23,201
Fines and Forfeitures	28,151	0	0	0	567	28,718
Intergovernmental	432,502	91,667	10,178	41,500	969,244	1,545,091
Rentals	188,314	0	0	0	0	188,314
Interest	345	0	0	0	14	359
Contributions and Donations	0	0	0	0	1,300	1,300
Miscellaneous	72,895	0	0	0	0	72,895
<i>Total Revenues</i>	<u>4,588,989</u>	<u>675,027</u>	<u>482,173</u>	<u>41,500</u>	<u>1,538,902</u>	<u>7,326,591</u>
Expenditures						
Current:						
General Government	2,093,218	0	0	0	0	2,093,218
Security of Persons and Property	1,513,576	670,000	0	0	366,066	2,549,642
Transportation	1,125,693	0	613,167	0	400,000	2,138,860
Community Environment	154,626	0	0	0	0	154,626
Leisure Time Activities	115,043	0	0	0	222,342	337,385
Capital Outlay	0	0	0	14,596	451,089	465,685
Debt Service:						
Principal Retirement	0	0	19,767	0	316,244	336,011
Principal Retirement - Current Refunding	50,000	0	0	135,000	15,000	200,000
Interest and Fiscal Charges	6,436	0	2,498	6,450	77,375	92,759
<i>Total Expenditures</i>	<u>5,058,592</u>	<u>670,000</u>	<u>635,432</u>	<u>156,046</u>	<u>1,848,116</u>	<u>8,368,186</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(469,603)</u>	<u>5,027</u>	<u>(153,259)</u>	<u>(114,546)</u>	<u>(309,214)</u>	<u>(1,041,595)</u>
Other Financing Sources (Uses)						
Inception of Capital Lease	0	0	188,758	0	0	188,758
Sale of Capital Assets	6,727	0	0	0	0	6,727
General Obligation Notes Issued	1,080,000	0	0	370,000	130,000	1,580,000
Current Refunding	(550,000)	0	0	(370,000)	(90,000)	(1,010,000)
Transfers In	16,720	0	0	0	392,019	408,739
Transfers Out	(72,251)	0	0	(130,468)	(206,020)	(408,739)
<i>Total Other Financing Sources (Uses)</i>	<u>481,196</u>	<u>0</u>	<u>188,758</u>	<u>(130,468)</u>	<u>225,999</u>	<u>765,485</u>
<i>Net Change in Fund Balances</i>	11,593	5,027	35,499	(245,014)	(83,215)	(276,110)
<i>Fund Balances Beginning of Year</i>	<u>256,266</u>	<u>33,058</u>	<u>0</u>	<u>201,129</u>	<u>387,398</u>	<u>877,851</u>
<i>Fund Balances End of Year</i>	<u>\$267,859</u>	<u>\$38,085</u>	<u>\$35,499</u>	<u>(\$43,885)</u>	<u>\$304,183</u>	<u>\$601,741</u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$276,110)

*Amounts reported for governmental activities in the statements of activities
are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities,
the cost of those assets are allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	1,596,900	
Current Year Depreciation	(1,425,263)	
Total	171,637	171,637

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. (9,189)

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds:

Delinquent Property Taxes	4,011	
Municipal Income Taxes	91,685	
Intergovernmental	21,009	
Rentals	1,163	
Total	117,868	117,868

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	(1,212)	
Amortization of Bond Premium	3,616	
Total	2,404	2,404

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	(20,511)	
Vacation Benefits	(20,108)	
Total	(40,619)	(40,619)

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. 1,546,011

Other financing sources in the governmental funds that increase
long-term liabilities in the statement of net position.

Inception of Capital Lease	(188,758)	
General Obligation Notes Issued	(1,580,000)	
Total	(1,768,758)	(1,768,758)

Contractually required contributions are reported as expenditures in governmental funds;
however, the statement of net position reports these amounts in deferred outflows. 474,463

Except for amounts reported as deferred inflows/outflows, changes in the net pension
liability are reported as pension expense in the statement of activities. (495,375)

Change in Net Position of Governmental Activities (\$277,668)

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property Taxes	\$621,120	\$621,120	\$562,698	(\$58,422)
Municipal Income Taxes	3,080,402	3,357,944	3,211,700	(146,244)
Charges for Services	67,106	73,152	69,966	(3,186)
Licenses and Permits	22,253	24,257	23,201	(1,056)
Fines and Forfeitures	29,441	32,094	30,696	(1,398)
Intergovernmental	428,095	466,666	446,342	(20,324)
Rentals	180,616	196,889	188,314	(8,575)
Interest	331	361	345	(16)
Miscellaneous	76,366	83,247	72,895	(10,352)
<i>Total Revenues</i>	<u>4,505,730</u>	<u>4,855,730</u>	<u>4,606,157</u>	<u>(249,573)</u>
Expenditures				
Current:				
General Government	2,062,702	2,297,445	2,102,914	194,531
Security of Persons and Property	1,508,107	1,637,107	1,511,177	125,930
Transportation	1,363,949	1,363,949	1,253,159	110,790
Community Environment	161,480	161,480	151,734	9,746
Leisure Time Activities	98,657	113,914	113,914	0
<i>Total Expenditures</i>	<u>5,194,895</u>	<u>5,573,895</u>	<u>5,132,898</u>	<u>440,997</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(689,165)</u>	<u>(718,165)</u>	<u>(526,741)</u>	<u>191,424</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	6,727	6,727
Transfers In	546,720	546,720	546,720	0
Transfers Out	(170,700)	(170,700)	(170,662)	38
<i>Total Other Financing Sources (Uses)</i>	<u>376,020</u>	<u>376,020</u>	<u>382,785</u>	<u>6,765</u>
<i>Net Change in Fund Balance</i>	<u>(313,145)</u>	<u>(342,145)</u>	<u>(143,956)</u>	<u>198,189</u>
<i>Fund Balance Beginning of Year</i>	185,032	185,032	185,032	0
Prior Year Encumbrances Appropriated	202,220	202,220	202,220	0
<i>Fund Balance End of Year</i>	<u>\$74,107</u>	<u>\$45,107</u>	<u>\$243,296</u>	<u>\$198,189</u>

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Emergency Levy Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property Taxes	\$556,613	\$556,613	\$583,360	\$26,747
Intergovernmental	87,464	87,464	91,667	4,203
<i>Total Revenues</i>	644,077	644,077	675,027	30,950
Expenditures				
Current:				
Security of Persons and Property	670,000	670,000	670,000	0
<i>Net Change in Fund Balance</i>	(25,923)	(25,923)	5,027	30,950
<i>Fund Balance Beginning of Year</i>	33,058	33,058	33,058	0
<i>Fund Balance End of Year</i>	\$7,135	\$7,135	\$38,085	\$30,950

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property Taxes	\$450,344	\$450,344	\$471,995	\$21,651
Intergovernmental	9,711	9,711	10,178	467
<i>Total Revenues</i>	460,055	460,055	482,173	22,118
Expenditures				
Current:				
Transportation	460,000	460,000	446,368	13,632
<i>Net Change in Fund Balance</i>	55	55	35,805	35,750
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$55	\$55	\$35,805	\$35,750

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2015

	Waste Water
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$325,114
<i>Noncurrent Assets</i>	
Non-Depreciable Capital Assets	124,417
Depreciable Capital Assets, Net	2,289,752
<i>Total Noncurrent Assets</i>	2,414,169
<i>Total Assets</i>	2,739,283
Deferred Outflows of Resources	
Pension	5,541
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	2,216
Accrued Wages and Benefits	1,010
Intergovernmental Payable	1,922
Accrued Interest Payable	7,416
Bonds Payable	4,600
OPWC Loans Payable	14,196
<i>Total Current Liabilities</i>	31,360
<i>Long-Term Liabilities (net of current portion)</i>	
Bonds Payable	285,200
OPWC Loans Payable	141,957
Net Pension Liability	31,694
<i>Total Long-Term Liabilities</i>	458,851
<i>Total Liabilities</i>	490,211
Deferred Inflows of Resources	
Pension	557
Net Position	
Net Investment in Capital Assets	1,968,216
Unrestricted	285,840
<i>Total Net Position</i>	\$2,254,056

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, 2015*

	Waste Water
Operating Revenues	
Charges for Services	\$115,213
Operating Expenses	
Personal Services	17,990
Services and Supplies	93,900
Depreciation	62,756
<i>Total Operating Expenses</i>	174,646
<i>Operating Loss</i>	(59,433)
Non Operating Expenses	
Interest and Fiscal Charges	(12,779)
<i>Change in Net Position</i>	(72,212)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	2,326,268
<i>Net Position End of Year</i>	\$2,254,056

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2015

	Waste Water
Increases (Decreases) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$115,213
Cash Payments to Suppliers for Services and Supplies	(92,656)
Cash Payments for Employee Services and Benefits	(17,928)
	4,629
<i>Net Cash Provided by Operating Activities</i>	
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Bonds	(4,400)
Interest Paid on Bonds	(12,871)
Principal Paid on OPWC Loans	(14,196)
	(31,467)
<i>Net Cash Used for Capital and Related Financing Activities</i>	
Net Decrease in Cash and Cash Equivalents	(26,838)
<i>Cash and Cash Equivalents Beginning of Year</i>	351,952
<i>Cash and Cash Equivalents End of Year</i>	\$325,114
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(\$59,433)
<i>Adjustments:</i>	
Depreciation	62,756
Increase in Deferred Outflows of Resources - Pension	(1,675)
Increase (Decrease) in Liabilities:	
Accounts Payable	944
Accrued Wages and Benefits	95
Intergovernmental Payable	669
Net Pension Liability	716
Decrease in Deferred Inflows of Resources	557
	64,062
<i>Total Adjustments</i>	
<i>Net Cash Provided by Operating Activities</i>	\$4,629

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Private Purpose Trust	
	Cemetery	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$2,386	\$339,005
Liabilities		
Deposits Held and Due to Others	0	\$339,005
Net Position		
Held in Trust for Perpetual Care	\$2,386	

See accompanying notes to the basic financial statements

City of Kirtland, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Year Ended December 31, 2015

	<u>Cemetery</u>
Additions	\$0
Deductions	<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, 2015

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 17 of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

Fund Accounting

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

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

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

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

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

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

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

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

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

Measurement Focus

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

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

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

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

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources 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, 2015, but which were levied to finance 2016 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. 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, 2015

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".

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The City of Kirtland has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold at December 31, 2015.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$345, which includes \$274 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 fair values as of the date received. The City maintains a capitalization threshold of two thousand five hundred dollars. 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 costs incurred during the construction of enterprise fund capital assets are 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:

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

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

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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, 2015

Fund Balance

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

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

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

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

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

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

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

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

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

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 and Restatement of Net Position

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	<u>Governmental Activities</u>	<u>Business -Type Activity Waste Water</u>
Net position December 31, 2014	\$13,876,598	\$2,353,380
Adjustments:		
Net Pension Liability	(4,664,142)	(30,978)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>459,785</u>	<u>3,866</u>
Restated Net Position January 1, 2014	<u><u>\$9,672,241</u></u>	<u><u>\$2,326,268</u></u>

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

Note 4 – Compliance and Accountability

Compliance

The City had a negative cash balance in the Sperry Road fund in the amount of \$15,427. 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, 2015:

Special Revenue Fund:	
Major Capital Equipment	\$16,688
Capital Projects Funds:	
Sperry Road	1,242
Tibbetts Road Resurfacing	5,025
State Route 306 and State Route 6	43,885

The major capital equipment special revenue fund and the Tibbetts road resurfacing, and State route 306 and State route 6 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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 5 – Fund Balances

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

Fund Balances	General	Fire Emergency Levy	Road Levy	State Route 306 and State Route 6	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>						
Inventory	\$196,156	\$0	\$0	\$0	\$0	\$196,156
<u>Restricted for:</u>						
Police Department Operations	0	0	0	0	6,790	6,790
Fire Department Operations	0	38,085	0	0	0	38,085
Road Levy	0	0	35,499	0	0	35,499
Senior Citizens	0	0	0	0	166,642	166,642
Street and Highway Construction, Maintenance and Repair	0	0	0	0	32,847	32,847
Emergency Medical Services	0	0	0	0	8,647	8,647
Capital Projects	0	0	0	0	55,552	55,552
Other Purposes	0	0	0	0	56,660	56,660
<i>Total Restricted</i>	<u>0</u>	<u>38,085</u>	<u>35,499</u>	<u>0</u>	<u>327,138</u>	<u>400,722</u>
<u>Assigned to:</u>						
Year 2016 Appropriations	71,703	0	0	0	0	71,703
Unassigned (Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(43,885)</u>	<u>(22,955)</u>	<u>(66,840)</u>
Total Fund Balances (Deficit)	<u>\$267,859</u>	<u>\$38,085</u>	<u>\$35,499</u>	<u>(\$43,885)</u>	<u>\$304,183</u>	<u>\$601,741</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).

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

- 2) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).

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

	Net Change in Fund Balances		
	General	Fire Emergency Levy	Road Levy
GAAP Basis	\$11,593	\$5,027	\$35,499
Net Adjustment for Revenue Accruals	(532,832)	0	0
Net Adjustment for Expenditure Accruals	446,450	0	306
Encumbrances	(69,167)	0	0
Budget Basis	<u>(\$143,956)</u>	<u>\$5,027</u>	<u>\$35,805</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 Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

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

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

Deposits

Custodial Credit Risk 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, \$973,525 of the City's bank balance of \$1,223,525 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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Investments

Investments are reported at fair value. As of December 31, 2015, the City's only investment was in STAR Ohio with a fair value of \$325,506 and an average maturity of 49.4 days.

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

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAm 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, 2015, 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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$13.05 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

	<u>Assessed Values</u>
Real Property	
Residential/Agricultural	\$216,866,230
Other Real Estate	13,231,450
Public Utility Personal Property	9,636,550
Total Valuation	<u>\$239,734,230</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, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 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:

<u>Governmental Activities</u>	<u>Amount</u>
Local Government	\$139,083
Homestead and Rollback	124,391
Gasoline Excise Tax	90,751
Grants Receivable	46,010
Gasoline Tax	44,221
Motor Vehicle License Tax	31,869
Permissive Tax	31,445
State of Ohio	7,469
Other	3,131
Total	<u>\$518,370</u>

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 9 – Interfund Transactions

Interfund Transfers

The following interfund transfers took place in 2015:

<u>Transfers To</u>	<u>Transfers From</u>			<u>Total</u>
	<u>General</u>	<u>State Route 306 and State Route 6</u>	<u>Other Governmental Funds</u>	
General	\$0	\$0	\$16,720	\$16,720
Other Governmental Funds	72,251	130,468	189,300	392,019
Total	<u>\$72,251</u>	<u>\$130,468</u>	<u>\$206,020</u>	<u>\$408,739</u>

The general fund, major capital equipment special revenue fund and State Route 306 & State Route 6 capital projects fund transferred \$72,251, \$189,300 and 130,468, respectively, to the general obligation bond retirement fund for debt payment requirements. The FEMA fire special revenue fund transferred \$16,720 in unused grant monies to the general fund.

Interfund Balances

At December 31, 2015, the general fund had an interfund receivable of \$15,427 and the Sperry Road Fund had an interfund payable of \$15,427. This loan was made to support the Sperry Road improvement 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.

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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance 1/1/2015	Additions	Deductions	Balance 12/31/2015
Governmental Activities:				
<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	6,234,936	166,924	0	6,401,860
Machinery and Equipment	4,302,526	459,402	(165,132)	4,596,796
Infrastructure:				
Roads	31,709,779	970,574	0	32,680,353
Storm Sewer	1,330,607	0	0	1,330,607
<i>Total Capital Assets, being depreciated</i>	<u>43,577,848</u>	<u>1,596,900</u>	<u>(165,132)</u>	<u>45,009,616</u>
<i>Less Accumulated Depreciation:</i>				
Buildings, Structures and Improvements	(3,205,251)	(166,014)	0	(3,371,265)
Machinery and Equipment	(3,052,552)	(342,320)	155,943	(3,238,929)
Infrastructure:				
Roads	(22,695,317)	(875,630)	0	(23,570,947)
Storm Sewer	(529,163)	(41,299)	0	(570,462)
<i>Total Accumulated Depreciation</i>	<u>(29,482,283)</u>	<u>(1,425,263)*</u>	<u>155,943</u>	<u>(30,751,603)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>14,095,565</u>	<u>171,637</u>	<u>(9,189)</u>	<u>14,258,013</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$15,460,167</u>	<u>\$171,637</u>	<u>(\$9,189)</u>	<u>\$15,622,615</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$62,316
Security of Persons and Property	192,247
Transportation	1,100,005
Community Environment	2,714
Leisure Time Activities	67,981
Total	<u>\$1,425,263</u>

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Balance 1/1/2015	Additions	Deductions	Balance 12/31/2015
Business-Type Activities:				
<i>Capital Assets, not being depreciated</i>				
Land	\$124,417	\$0	\$0	\$124,417
<i>Capital Assets, being depreciated</i>				
Buildings, Structures and Improvements	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	(127,954)	(3,403)	0	(131,357)
Machinery and Equipment	(30,400)	(1,814)	0	(32,214)
Infrastructure:				
Sewer Lines	(490,097)	(57,539)	0	(547,636)
<i>Total Accumulated Depreciation</i>	(648,451)	(62,756)	0	(711,207)
<i>Total Capital Assets being depreciated, Net</i>	2,352,508	(62,756)	0	2,289,752
<i>Business-Type Activities Capital Assets, Net</i>	\$2,476,925	(\$62,756)	\$0	\$2,414,169

Note 12 - Risk Management

Workers' Compensation

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

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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:

Type	Coverage	Deductible
Wichert Insurance Agency:		
Commercial Property	\$11,581,409	\$1,000
Earthquake and Flood	500,000	25,000
Boiler Machinery and Machinery	11,354,322	1,000
Inland Marine	874,315	1,000
Commercial General Liability	1,000,000	0
Umbrella Liability	4,000,000	0
Commercial Automotive	1,000,000	500
Uninsured Motorists	25,000	0
Love Insurance Agency:		
Law Enforcement	1,000,000	5,000
Public Officials	1,000,000	5,000
Employment Practices	1,000,000	5,000
Finance Director	100,000	0
City Clerks	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.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

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):

City of Kirtland, Ohio
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For the Year Ended December 31, 2015

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

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

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

When a 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:

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$192,506 for 2015. Of this amount, \$29,022 is reported as an intergovernmental payable.

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF 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.

City of Kirtland, Ohio
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For the Year Ended December 31, 2015

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

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50	11.50
July 2, 2015 through December 31, 2015	12.25	12.25
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$285,807 for 2015. Of this amount \$47,470 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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. 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:

	OPERS	OPF	Total
Proportionate Share of the Net Pension Liability	\$1,584,711	\$3,346,528	\$4,931,239
Proportion of the Net Pension Liability	0.013139%	0.064600%	
Pension Expense	\$172,385	\$326,438	\$498,823

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At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$84,555	\$144,232	\$228,787
City contributions subsequent to the measurement date	192,506	285,807	478,313
Total Deferred Outflows of Resources	\$277,061	\$430,039	\$707,100
Deferred Inflows of Resources			
Differences between expected and actual experience	\$27,840	\$0	\$27,840

The \$478,313 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OPF	Total
Year Ending December 31:			
2016	(\$8,293)	(\$36,058)	(\$44,351)
2017	(8,293)	(36,058)	(44,351)
2018	(18,990)	(36,058)	(55,048)
2019	(21,139)	(36,058)	(57,197)
Total	(\$56,715)	(\$144,232)	(\$200,947)

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 in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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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.

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 6.95 percent for 2014.

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 2014 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	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

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 statutorily required rates. 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.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City'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	\$2,915,413	\$1,584,711	\$463,938

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF'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, 2014, are presented as follows:

Valuation Date	January 1, 2014
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

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.

City of Kirtland, Ohio
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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 OPF's target asset allocation as of December 31, 2014 are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	120.00 %	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF'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.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 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	\$4,628,755	\$3,346,528	\$2,260,872

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 plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund 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 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 for the funding of postemployment health care.

City of Kirtland, Ohio
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Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. 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 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 employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

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, 2015, 2014, and 2013 was \$32,084, \$31,842 and \$64,225, respectively. For 2015, 95.87 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

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 postemployment 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 Postemployment 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 or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Kirtland, Ohio
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Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. 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 premium 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. For 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution 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 which was allocated to fund postemployment health care benefits for police and firefighters was \$3,301 and \$3,413 for the year ended December 31, 2015, \$2,851 and \$3,235 for the year ended December 31, 2014, and \$23,059 and \$23,907 for the year ended December 31, 2013. For 2015, 92.39 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 2014 and 2013.

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.

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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.

Note 17 – 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 2015. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

City of Kirtland, Ohio
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Note 18 – Short-Term Obligations

A summary of note transactions for the year ended December 31, 2015 follows:

	Balance 12/31/14	Additions	Reductions	Balance 12/31/15
General Fund:				
2010 Plow Truck	\$10,000	\$10,000	(\$10,000)	\$10,000
Emergency Radio Equipment	5,000	5,000	(5,000)	5,000
Service Plow Truck - 2012	10,000	10,000	(10,000)	10,000
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	0	5,000	0	5,000
Total General Fund	45,000	50,000	(45,000)	50,000
Major Capital Equipment Fund:				
Ambulance	10,000	10,000	(10,000)	10,000
Sperry Road Improvements:				
Road Improvements - 2015	0	80,000	0	80,000
Tibbetts Road Fund:				
Tibbetts Road Completion - 2014	5,000	5,000	(5,000)	5,000
State Route 306 and 6 Fund:				
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	5,000	10,000	(5,000)	10,000
Lakeland Turn Lanes/306	110,000	40,000	(110,000)	40,000
Lakeland Turn Lanes (Phase II) - 2014	0	55,000	0	55,000
Total State Route 306 and 6 Fund	145,000	135,000	(145,000)	135,000
Total	\$205,000	\$280,000	(\$205,000)	\$280,000

All the notes are backed by the full faith and credit of the City of Kirtland and mature within one year. The maturity date for all outstanding notes is June 30, 2016 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 \$280,000 liability above represents the portion of these notes which will be paid down in 2016. The remaining balance of these notes is reported as a long-term liability (See Note 19).

City of Kirtland, Ohio
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Note 19 - 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 Bonds - 2006:	3.75 - 5.00		
State Route 306 Improvement		1,055,000	December 1, 2026
Parks and Recreation Purposes		650,000	December 1, 2026
Service Facility		200,000	December 1, 2026
Senior Center		100,000	December 1, 2026
Various Purpose Bonds - 2012:	1.80		
Civic Center		603,780	December 1, 2016
Fire Department		219,003	December 1, 2016
Waste Water		46,967	December 1, 2016
<i>Ohio Public Works Commission Loans:</i>			
Route 306 Widening Phase II - 2005	0.00	50,000	January 31, 2016
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, 2016
Emergency Radio Equipment - 2012	1.00	25,000	June 30, 2016
Truck (Service Department) - 2012	1.00	100,000	June 30, 2016
Truck (Service Department) - 2013	1.00	160,000	June 30, 2016
Truck (Service Department) - 2014	1.00	175,000	June 30, 2016
Plow Truck - Service Department - 2015	1.00	180,000	June 30, 2016
Roof and HVAC System (City Hall) - 2015	1.00	250,000	June 30, 2016
Roof and HVAC System (Fire Station) - 2015	1.00	100,000	June 30, 2016
Computer System Upgrades - 2014	1.00	90,000	June 30, 2016
Ambulance - 2012	1.00	60,000	June 30, 2016
Sperry Road Improvements - 2015	1.00	120,000	June 30, 2016
Tibbetts Road Completion - 2014	1.00	45,000	June 30, 2016
State Route 306 and 6 Intersection - 2012	1.00	80,000	June 30, 2016
State Route 6 and Sperry Road - 2012	1.00	90,000	June 30, 2016
State Route 6 Resurfacing - 12	1.00	145,000	June 30, 2016
Lakeland Traffic Signal/306 - 2012	1.00	30,000	June 30, 2016
Lakeland Turn Lanes/306 2012	1.00	40,000	June 30, 2016
Lakeland Turn Lanes (Phase II) - 2014	1.00	120,000	June 30, 2016

City of Kirtland, Ohio
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The changes in long-term obligations during the year were as follows:

	Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Amounts Due in One Year
Business-Type Activities:					
General Obligation Bonds:					
Templeview Sewer Project	\$294,200	\$0	(\$4,400)	\$289,800	\$4,600
OPWC Loan:					
Templeview Sewer	170,349	0	(14,196)	156,153	14,196
Net Pension Liability:					
OPERS	30,978	716	0	31,694	0
<i>Total Business-Type Activities</i>	<u>\$495,527</u>	<u>\$716</u>	<u>(\$18,596)</u>	<u>\$477,647</u>	<u>\$18,796</u>
Governmental Activities:					
General Obligation Bonds:					
Various Purpose Bonds 2006:					
State Route 306 Improvement	\$728,765	\$0	(\$47,356)	\$681,409	\$49,988
Parks and Recreation Purposes	449,004	0	(29,177)	419,827	30,798
Service Facility	138,155	0	(8,978)	129,177	9,476
Senior Center	69,076	0	(4,489)	64,587	4,738
Unamortized Premium	39,779	0	(3,616)	36,163	0
Total Various Purpose Bonds	<u>1,424,779</u>	<u>0</u>	<u>(93,616)</u>	<u>1,331,163</u>	<u>95,000</u>
Various Purpose Bonds 2012:					
Civic Center	308,224	0	(151,336)	156,888	156,888
Fire Department	111,799	0	(54,892)	56,907	56,907
Waste Water	23,977	0	(11,772)	12,205	12,205
Total Various Purpose Bonds	<u>444,000</u>	<u>0</u>	<u>(218,000)</u>	<u>226,000</u>	<u>226,000</u>
<i>Total General Obligation Bonds</i>	<u>1,868,779</u>	<u>0</u>	<u>(311,616)</u>	<u>1,557,163</u>	<u>321,000</u>
OPWC Loans:					
Route 306 Widening, Phase II 2005	28,750	0	(2,500)	26,250	2,500
Route 306 and Route 6 Intersection	42,105	0	(2,632)	39,473	2,632
Route 306 at Lakeland Community College	48,037	0	(3,112)	44,925	3,100
<i>Total OPWC Loans</i>	<u>\$118,892</u>	<u>\$0</u>	<u>(\$8,244)</u>	<u>\$110,648</u>	<u>\$8,232</u>

(continued)

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

	Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Amounts Due in One Year
Governmental Activities (continued):					
Long-Term Notes Payable:					
2010 Plow Truck	\$50,000	\$40,000	(\$50,000)	\$40,000	\$0
Emergency Radio Equipment	25,000	20,000	(25,000)	20,000	0
Truck (Service Department) - 2012	100,000	90,000	(100,000)	90,000	0
Truck (Service Department) - 2013	160,000	150,000	(160,000)	150,000	0
Truck (Service Department) - 2014	175,000	165,000	(175,000)	165,000	0
Plow Truck (Service Department) - 2015	0	180,000	0	180,000	0
Roof and HVAC System (City Hall)	0	250,000	0	250,000	0
Roof and HVAC System (Fire Station)	0	100,000	0	100,000	0
Computer System Upgrades - 2014	90,000	85,000	(90,000)	85,000	0
Ambulance	60,000	50,000	(60,000)	50,000	0
Sperry Road Improvements	0	40,000	0	40,000	0
Tibbetts Road Completion - 2014	45,000	40,000	(45,000)	40,000	0
State Route 306 and 6 Intersection	80,000	75,000	(80,000)	75,000	0
State Route 6 and Sperry Road	90,000	80,000	(90,000)	80,000	0
State Route 6 Resurfacing	145,000	130,000	(145,000)	130,000	0
Lakeland Traffic Signal/306	30,000	20,000	(30,000)	20,000	0
Lakeland Turn Lanes/306	40,000	0	(40,000)	0	0
Lakeland Turn Lanes (Phase II) - 2014	120,000	65,000	(120,000)	65,000	0
<i>Total Long-Term Notes Payable</i>	<u>1,210,000</u>	<u>1,580,000</u>	<u>(1,210,000)</u>	<u>1,580,000</u>	<u>0</u>
Other Long-Term Obligations:					
Compensated Absences	261,207	58,924	(38,413)	281,718	3,849
Capital Leases	0	188,758	(19,767)	168,991	36,181
<i>Total Other Long-Term Obligations</i>	<u>261,207</u>	<u>247,682</u>	<u>(58,180)</u>	<u>450,709</u>	<u>40,030</u>
Net Pension Liability:					
OPERS	1,517,939	35,078	0	1,553,017	0
OPF	3,146,203	200,325	0	3,346,528	0
<i>Total Net Pension Liability</i>	<u>4,664,142</u>	<u>235,403</u>	<u>0</u>	<u>4,899,545</u>	<u>0</u>
<i>Total Governmental Activities</i>	<u>\$8,123,020</u>	<u>\$2,063,085</u>	<u>(\$1,588,040)</u>	<u>\$8,598,065</u>	<u>\$369,262</u>

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

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

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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. The various purpose general obligation bonds will be paid from the debt retirement fund.

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. The bonds will be retired through the general obligation bond retirement debt service fund.

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 2015, the City issued \$1,860,000 in bond anticipation notes which were used to retire the 2014 1,415,000 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.

The City's overall legal debt margin was \$21,644,284 with an unvoted debt margin of \$9,657,573 at December 31, 2015. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2015 are as follows:

	Governmental Activities			Business-Type Activity		
	General Obligation Bonds		OPWC Loan	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal	Principal	Interest	Principal
2016	\$321,000	\$68,011	\$8,232	\$4,600	\$13,766	\$14,196
2017	95,000	60,000	8,232	4,800	13,547	14,196
2018	100,000	55,250	8,232	5,000	13,319	14,196
2019	105,000	50,250	8,231	5,200	13,082	14,196
2020	110,000	45,000	8,231	5,400	12,835	14,195
2021-2025	640,000	22,000	41,158	30,900	60,074	70,978
2026-2030	150,000	0	28,332	38,200	52,079	14,196
2031-2035	0	0	0	47,500	42,157	0
2036-2040	0	0	0	58,900	29,841	0
2041-2045	0	0	0	72,800	14,582	0
2046	0	0	0	16,500	784	0
Total	\$1,521,000	\$300,511	\$110,648	\$289,800	\$266,066	\$156,153

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 20 - Capital Leases

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

	Governmental Activities
Road Machinery	\$188,758
Less: Accumulated Depreciation	(37,752)
Total	\$151,006

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, 2015.

	Governmental Activities
2016	\$40,430
2017	40,430
2018	40,430
2019	40,430
2020	18,165
Total Minimum Lease Payments	179,885
Less: Amount representing interest	(10,894)
Present Value of Minimum Lease Payments	\$168,991

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.

Note 21 – Encumbrances

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

	Amount		Amount
Governmental Funds:		Proprietary Fund:	
General	\$69,167	Waste Water	\$2,135
Other Governmental Funds	2,688		
Total Governmental Funds	\$71,855		

City of Kirtland, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 22 – Subsequent Events

During July, 2016, the City retired \$1,860,000 in general obligation bond anticipation notes and issued \$2,000,000 in new notes. The new notes have a maturity of June 30, 2017 and an interest rate of 1.00 percent. The following table summarizes the activity:

<u>Note Issuance</u>	<u>Retired</u>	<u>Issued</u>
2010 Plow Truck	\$50,000	\$40,000
Emergency Radio Equipment	25,000	20,000
Truck (Service Department) - 2012	100,000	90,000
Truck (Service Department) - 2013	160,000	150,000
Truck (Service Department) - 2014	175,000	165,000
Plow Truck (Service Department) - 2015	180,000	180,000
Roof and HVAC System (City Hall)	250,000	250,000
Roof and HVAC System (Fire Station)	100,000	100,000
Computer System Upgrades - 2014	90,000	85,000
Ambulance	60,000	50,000
Sperry Road Improvements	120,000	40,000
Tibbetts Road Completion - 2014	45,000	40,000
State 306 and 6 Intersection	80,000	75,000
State Route 6 and Sperry Road	90,000	80,000
State Route 6 Resurfacing	145,000	130,000
Lakeland Traffic Signal/306	30,000	20,000
Lakeland Turn Lanes/306	40,000	0
Lakeland Turn Lanes (Phase II) - 2014	120,000	65,000
Arborhurst and Singlefoot	0	200,000
Worell Road Project	0	45,000
State Route 306 Slope Stabilization	0	75,000
2016 Road Equipment	0	100,000
<i>Total Notes</i>	<u>\$1,860,000</u>	<u>\$2,000,000</u>

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 Two Years (1)

	2014	2013
City's Proportion of the Net Pension Liability	0.013139%	0.013139%
City's Proportionate Share of the Net Pension Liability	\$1,584,711	\$1,548,917
City's Covered-Employee Payroll	\$1,610,883	\$1,567,092
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	98.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented 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 Two Years (1)

	2014	2013
City's Proportion of the Net Pension Liability	0.064600%	0.064600%
City's Proportionate Share of the Net Pension Liability	\$3,346,528	\$3,146,203
City's Covered-Employee Payroll	\$1,217,206	\$1,297,154
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	274.94%	242.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

Amounts presented 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 Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$192,506	\$193,216	\$203,722
Contributions in Relation to the Contractually Required Contribution	<u>(192,506)</u>	<u>(193,216)</u>	<u>(203,722)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,604,217	\$1,610,883	\$1,567,092
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$285,807	\$270,435	\$235,746	\$189,023
Contributions in Relation to the Contractually Required Contribution	<u>(285,807)</u>	<u>(270,435)</u>	<u>(235,746)</u>	<u>(189,023)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,342,602	\$1,217,206	\$1,297,154	\$1,255,268
Contributions as a Percentage of Covered-Employee Payroll	21.29%	22.22%	18.17%	15.06%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$190,546	\$182,156	\$182,068	\$181,481	\$177,564	\$157,796
<u>(190,546)</u>	<u>(182,156)</u>	<u>(182,068)</u>	<u>(181,481)</u>	<u>(177,564)</u>	<u>(157,796)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,263,338	\$1,202,174	\$1,208,891	\$1,206,877	\$1,185,428	\$1,123,247
15.08%	15.15%	15.06%	15.04%	14.98%	14.05%

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Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 31, 2016, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2016