



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CITY OF KIRTLAND  
LAKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund .....	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual Fire Emergency Levy Fund .....	23
Statement of Fund Net Position Enterprise Fund .....	24
Statement of Revenues, Expenses and Changes in Fund Net Position Enterprise Fund .....	25
Statement of Cash Flows Enterprise Fund .....	26
Notes to the Basic Financial Statements .....	27

**CITY OF KIRTLAND  
LAKE COUNTY**

**TABLE OF CONTENTS  
(CONTINUED)**

<b>TITLE</b>	<b>PAGE</b>
Prepared by Management:	
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability Ohio Public Employees Retirement System – Traditional Plan Last Nine Years .....	76
Schedule of the City's Proportionate Share of the Net Pension Asset Ohio Public Employees Retirement System – Combined Plan Last Five Years .....	78
Schedule of the City's Proportionate Share of the Net OPEB Liability Ohio Public Employees Retirement System – OPEB Plan Last Six Years .....	80
Schedule of the City's Proportionate Share of the Net Pension Liability Ohio Police and Fire Pension Fund Last Nine Years .....	82
Schedule of the City's Proportionate Share of the Net OPEB Liability Ohio Police and Fire Pension Fund Last Six Years .....	84
Schedule of the City's Contributions Ohio Public Employee Retirement System Last Ten Years .....	86
Schedule of the City's Contributions Ohio Police and Fire Pension Fund Last Ten Years .....	88
Notes to the Required Supplementary Information .....	90
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	95

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Fire Emergency Levy Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

October 3, 2023

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**City of Kirtland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2022*  
*Unaudited*

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The discussion and analysis of the City of Kirtland's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2022. 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 2022 are:

- In 2022, the City continued a comprehensive road improvement project that includes rebuilding, resurfacing and drainage improvements. During 2022, the City completed both the 2021 and 2022 planned road improvement projects.
- During 2022, the City issued \$3,603,000 in general obligation notes which were used to retire the 2021 \$2,008,000 in general obligation notes and 2,000,000 in street improvement notes.

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

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

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

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

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2022?" 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, 2022*  
*Unaudited*

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

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

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

## **Reporting the City of Kirtland's Most Significant Funds**

### ***Fund Financial Statements***

The presentation of the City's funds begins on page 11. 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 fund, the street improvement 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.

## **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 2022 compared to 2021.

**City of Kirtland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2022*  
*Unaudited*

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$10,382,900	\$9,890,135	\$124,835	\$157,592	\$10,507,735	\$10,047,727
Net Pension Asset	103,897	36,204	1,047	364	104,944	36,568
Net OPEB Asset	221,743	163,098	2,238	1,646	223,981	164,744
Capital Assets, Net	15,482,779	14,839,692	2,013,915	2,061,022	17,496,694	16,900,714
<i>Total Assets</i>	<u>26,191,319</u>	<u>24,929,129</u>	<u>2,142,035</u>	<u>2,220,624</u>	<u>28,333,354</u>	<u>27,149,753</u>
Deferred Outflows of Resources:						
Pension	1,644,872	986,158	2,869	1,594	1,647,741	987,752
OPEB	440,846	589,434	2	810	440,848	590,244
<i>Total Deferred Outflows of Resources</i>	<u>2,085,718</u>	<u>1,575,592</u>	<u>2,871</u>	<u>2,404</u>	<u>2,088,589</u>	<u>1,577,996</u>
Current and Other Liabilities	2,044,398	1,756,844	12,505	14,005	2,056,903	1,770,849
Long-Term Liabilities:						
Due Within One Year	182,144	221,691	20,396	20,096	202,540	241,787
Due in More than One Year:						
Pension	4,617,647	5,906,825	5,958	14,076	4,623,605	5,920,901
OPEB	706,680	701,479	0	0	706,680	701,479
Other Amounts	3,749,021	4,381,439	289,586	309,982	4,038,607	4,691,421
<i>Total Liabilities</i>	<u>11,299,890</u>	<u>12,968,278</u>	<u>328,445</u>	<u>358,159</u>	<u>11,628,335</u>	<u>13,326,437</u>
Deferred Inflows of Resources:						
Property Taxes	1,710,775	1,708,345	0	0	1,710,775	1,708,345
Leases	982,142	985,345	0	0	982,142	985,345
Pension	2,635,129	1,448,476	11,983	9,163	2,647,112	1,457,639
OPEB	645,835	1,013,085	3,102	6,497	648,937	1,019,582
<i>Total Deferred Inflows of Resources</i>	<u>5,973,881</u>	<u>5,155,251</u>	<u>15,085</u>	<u>15,660</u>	<u>5,988,966</u>	<u>5,170,911</u>
Net Investment in						
Capital Assets	11,252,782	10,460,200	1,703,933	1,730,944	12,956,715	12,191,144
Restricted:						
Pension	58,612	31,637	591	318	59,203	31,955
Capital Projects	1,188,180	447,551	0	0	1,188,180	447,551
Debt Service	31,221	51,517	0	0	31,221	51,517
Other Purposes	1,549,597	1,402,498	0	0	1,549,597	1,402,498
Unrestricted (Deficit)	<u>(3,077,126)</u>	<u>(4,012,211)</u>	<u>96,852</u>	<u>117,947</u>	<u>(2,980,274)</u>	<u>(3,894,264)</u>
<i>Total Net Position</i>	<u>\$11,003,266</u>	<u>\$8,381,192</u>	<u>\$1,801,376</u>	<u>\$1,849,209</u>	<u>\$12,804,642</u>	<u>\$10,230,401</u>

The net pension liability (NPL) is the largest liability reported by the City at December 31, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide

**City of Kirtland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2022*  
*Unaudited*

healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Net position may serve as a useful indicator of a government's financial position over time. In the case of the City of Kirtland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,003,266 at year-end for governmental activities. By far the largest portion of the City's net position is its investment in capital assets including land, buildings, machinery and equipment, roads, storm sewer lines, and sewer lines net of related debt. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Kirtland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase in governmental net position was due to an increase in deferred outflows related to net pension liabilities and a decrease in net pension liabilities. Total assets increased mainly due to an increase in equity in pooled cash and cash equivalents as well as capital assets. The City completed several infrastructure projects during the year.

Table 2 shows the changes in net position for the years ended December 31, 2022, as compared to 2021.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$646,413	\$661,868	\$114,814	\$112,806	\$761,227	\$774,674
Operating Grants and Contributions	1,416,240	927,576	0	0	1,416,240	927,576
Capital Grants	190,957	108,908	0	0	190,957	108,908
Total Program Revenues	2,253,610	1,698,352	114,814	112,806	2,368,424	1,811,158
General Revenues						
Property Taxes	1,779,629	1,677,040	0	0	1,779,629	1,677,040
Municipal Income Taxes	4,942,946	4,307,353	0	0	4,942,946	4,307,353
Grants and Entitlements	586,888	674,020	0	0	586,888	674,020
Investment Earnings/Interest	25,944	522	0	0	25,944	522
Miscellaneous	222,078	135,450	0	0	222,078	135,450
Total General Revenues	7,557,485	6,794,385	0	0	7,557,485	6,794,385
Total Revenues	\$9,811,095	\$8,492,737	\$114,814	\$112,806	\$9,925,909	\$8,605,543

(continued)

**City of Kirtland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2022*  
*Unaudited*

**Table 2**  
**Changes in Net Position**  
**(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Program Expenses</b>						
General Government	\$1,520,529	\$1,487,568	\$0	\$0	\$1,520,529	\$1,487,568
Security of Persons and Property	3,961,221	3,923,724	0	0	3,961,221	3,923,724
Transportation	1,149,877	459,235	0	0	1,149,877	459,235
Public Health and Welfare	107,361	96,589	0	0	107,361	96,589
Community Environment	82,620	49,407	0	0	82,620	49,407
Leisure Time Activities	314,584	241,134	0	0	314,584	241,134
Interest	52,829	29,344	0	0	52,829	29,344
Waste Water	0	0	162,647	130,558	162,647	130,558
Total Program Expenses	<u>7,189,021</u>	<u>6,287,001</u>	<u>162,647</u>	<u>130,558</u>	<u>7,351,668</u>	<u>6,417,559</u>
<i>Change in Net Position</i>	2,622,074	2,205,736	(47,833)	(17,752)	2,574,241	2,187,984
Net Position Beginning of Year	<u>8,381,192</u>	<u>6,175,456</u>	<u>1,849,209</u>	<u>1,866,961</u>	<u>10,230,401</u>	<u>8,042,417</u>
Net Position End of Year	<u>\$11,003,266</u>	<u>\$8,381,192</u>	<u>\$1,801,376</u>	<u>\$1,849,209</u>	<u>\$12,804,642</u>	<u>\$10,230,401</u>

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

Security of persons and property include the police and fire departments, accounted for program expenses of \$3,961,221 which is 55.10 percent of total governmental expenses, which was a slight increase from 2021. Our police and fire departments continue to improve their equipment to better serve our community and at the same time provide extra safety for our officers. We continue to strive to provide better police and fire service at a lower cost per man-hour. Our police and fire departments continue to improve their equipment to better serve our community and at the same time provide extra safety for our officers.

***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 2022, 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.

Total revenues for governmental activities increased in 2022 due to increases in property taxes, income taxes and operating grants received. Property tax collections increased as direct result of the increase in assessed values. Income tax revenue increases can be attributed to the economy continuing to improve

**City of Kirtland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2022*  
*Unaudited*

since the beginning of the pandemic. Revenue consists primarily of property taxes, income taxes and intergovernmental revenues received through operating and capital grants or contributions as well as unrestricted grants and entitlements. The remaining revenues represent charges for services, interest and miscellaneous receipts. Charges for services include non-resident ambulance billing, cemetery fees and recreation fees.

Total governmental activities program expenses increased in 2022 compared to 2021 due to an increase in transportation costs for road maintenance during the year. 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	
	2022	2021	2022	2021
General Government	\$1,520,529	\$1,487,568	(\$1,389,587)	(\$1,248,553)
Security of Persons and Property	3,961,221	3,923,724	(3,374,458)	(3,323,147)
Transportation	1,149,877	459,235	219,138	303,916
Public Health and Welfare	107,361	96,589	(98,800)	(86,961)
Community Environment	82,620	49,407	(70,770)	(36,851)
Leisure Time Activities	314,584	241,134	(168,105)	(167,709)
Interest and Fiscal Charges	52,829	29,344	(52,829)	(29,344)
<b>Total</b>	<b>\$7,189,021</b>	<b>\$6,287,001</b>	<b>(\$4,935,411)</b>	<b>(\$4,588,649)</b>

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 55.10 percent of total 2022 expenses. A significant portion of these expenses can be attributed to salaries, wages and employee benefits. Other significant expenses include transportation expenses which make up approximately 15.99 percent of total governmental expenses. The majority of transportation expenses include salaries, benefits and infrastructure depreciation.

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

***Business-Type Activities***

The charges for services from waste water utility services received were insufficient to cover the total expenses in 2022. 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

**City of Kirtland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2022*  
*Unaudited*

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include monitoring and testing the discharge. The City closely monitors the cost of these services and will adjust the operating and/or capital improvement charges to pay for future development and related costs, as needed.

**The City's Funds**

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

The City's major governmental funds are the general fund, the fire emergency levy special revenue fund and the Street Improvement capital projects fund. The decrease in the general fund balance was mainly due to increases in transfers out to other governmental funds. Total general fund revenues increased, and expenditures decreased resulting in an overall increase before transfer outs. The fire emergency levy special revenue fund balance increased due to a drop in expenditures as well as increases to property tax and intergovernmental revenues. The street improvement capital projects fund decreased over the year due to the City continuing planned street improvements. The general fund contributed to these infrastructure improvements through a fund balance transfer to the street improvement fund.

***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 2022, 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, 2022*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 shows 2022 balances of capital assets as compared to 2021.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$1,364,602	\$1,364,602	\$124,417	\$124,417	\$1,489,019	\$1,489,019
Construction in Progress	33,006	1,442,940	0	0	33,006	1,442,940
Buildings, Structures and Improvements	2,025,899	2,190,291	11,617	12,770	2,037,516	2,203,061
Machinery and Equipment	1,421,851	1,585,456	11,623	9,025	1,433,474	1,594,481
Infrastructure						
Roads	9,923,616	7,477,745	0	0	9,923,616	7,477,745
Storm Sewers	713,805	778,658	0	0	713,805	778,658
Sewer Lines	0	0	1,866,258	1,914,810	1,866,258	1,914,810
<b>Total</b>	<b>\$15,482,779</b>	<b>\$14,839,692</b>	<b>\$2,013,915</b>	<b>\$2,061,022</b>	<b>\$17,496,694</b>	<b>\$16,900,714</b>

Capital assets increased primarily due to additions related to machinery and equipment and infrastructure.

The City continues to improve the safety and traffic flow on its roads. This has been accomplished by the commitment to continue road resurfacing as well as road improvements within the City. During 2022, the City completed both the 2021 and 2022 road improvement rehabilitation program. Other capital asset additions include building improvements to City Hall, and the purchase of various machinery and equipment.

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

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

***Debt***

Table 5 summarizes bonds, loans, financed purchase and notes outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$543,500	\$671,000	\$253,200	\$259,100	\$796,700	\$930,100
Financed Purchase	18,112	35,685	0	0	18,112	35,685
OPWC Loans	53,027	61,259	56,782	70,978	109,809	132,237
Long-Term Notes	3,112,641	3,622,855	0	0	3,112,641	3,622,855
Short-Term Notes	502,717	406,495	0	0	502,717	406,495
<b>Total</b>	<b>\$4,229,997</b>	<b>\$4,797,294</b>	<b>\$309,982</b>	<b>\$330,078</b>	<b>\$4,539,979</b>	<b>\$5,127,372</b>



**City of Kirtland, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2022*  
*Unaudited*

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In 2022, the City issued \$3,603,000 in general obligation notes which were used to retire the 2021 \$2,008,000 in general obligation notes and \$2,000,000 in street improvement notes. See Notes 16 and 17 for additional information on the City's outstanding debt obligations.

***Current Financial Related Activities***

The City of Kirtland is located in Lake County in the northeast section of Ohio, approximately 22 miles east of the City of Cleveland, and about 5 miles inland from Lake Erie. The City, with a population of about 6,800, is about 17 square miles and consists predominately of residential homes. The City is bounded on three sides by the East and West Branches of the Chagrin River, which is designated as one of Ohio's "scenic rivers." Surrounded by Geauga and Cuyahoga Counties, there is an estimated population of 2,000,000 residing within a 50 mile radius. Due to the location and the beauty of the City, there is a consistent tax basis of residential, business, and educational institutions. The City is also working on commercial development in the historical district.

The City of Kirtland remains focused on a comprehensive road program. With limited resources and the expiration of the City's road levy, the 2022 Road Program was funded by several sources including ARPA grant dollars and the General Fund as a result of increased income tax revenues.

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

The Finance Director, Mayor and City Council work extremely hard managing debt levels. The Mayor annually presents an updated five-year capital budget as part of the annual budget which anticipates future capital spending requirements. The City continuously strives to operate within its means.

**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, Louis Slapnicker, City of Kirtland, 9301 Chillicothe Road, Kirtland, Ohio 44094, telephone 440-256-3332, or at the website at [www.kirtlandohio.com](http://www.kirtlandohio.com).

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**City of Kirtland, Ohio**  
*Statement of Net Position*  
*December 31, 2022*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,566,174	\$124,610	\$5,690,784
Materials and Supplies Inventory	44,272	0	44,272
Accounts Receivable	16,295	225	16,520
Lease Receivable	982,142	0	982,142
Intergovernmental Receivable	587,197	0	587,197
Prepaid Items	29,988	0	29,988
Municipal Income Taxes Receivable	1,417,333	0	1,417,333
Property Taxes Receivable	1,739,499	0	1,739,499
Net Pension Asset	103,897	1,047	104,944
Net OPEB Asset	221,743	2,238	223,981
Non-Depreciable Capital Assets	1,397,608	124,417	1,522,025
Depreciable Capital Assets, Net	14,085,171	1,889,498	15,974,669
<i>Total Assets</i>	<u>26,191,319</u>	<u>2,142,035</u>	<u>28,333,354</u>
<b>Deferred Outflows of Resources</b>			
Pension	1,644,872	2,869	1,647,741
OPEB	440,846	2	440,848
<i>Total Deferred Outflows of Resources</i>	<u>2,085,718</u>	<u>2,871</u>	<u>2,088,589</u>
<b>Liabilities</b>			
Accounts Payable	96,024	6,043	102,067
Contracts Payable	262,147	0	262,147
Deposits Held Payable	695,215	0	695,215
Accrued Wages and Benefits	195,956	0	195,956
Vacation Benefits Payable	90,671	0	90,671
Intergovernmental Payable	54,352	0	54,352
Accrued Interest Payable	41,611	6,462	48,073
Unearned Revenue	105,705	0	105,705
Notes Payable	502,717	0	502,717
Long-Term Liabilities:			
Due Within One Year	182,144	20,396	202,540
Due In More Than One Year:			
Net Pension Liability (See Note 13)	4,617,647	5,958	4,623,605
Net OPEB Liability (See Note 14)	706,680	0	706,680
Other Amounts Due In More Than One Year	3,749,021	289,586	4,038,607
<i>Total Liabilities</i>	<u>11,299,890</u>	<u>328,445</u>	<u>11,628,335</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,710,775	0	1,710,775
Leases	982,142	0	982,142
Pension	2,635,129	11,983	2,647,112
OPEB	645,835	3,102	648,937
<i>Total Deferred Inflows of Resources</i>	<u>5,973,881</u>	<u>15,085</u>	<u>5,988,966</u>
<b>Net Position</b>			
Net Investment in Capital Assets	11,252,782	1,703,933	12,956,715
Restricted for:			
Pension	58,612	591	59,203
Capital Projects	1,188,180	0	1,188,180
Debt Service	31,221	0	31,221
Other Purposes	1,549,597	0	1,549,597
Unrestricted (Deficit)	(3,077,126)	96,852	(2,980,274)
<i>Total Net Position</i>	<u>\$11,003,266</u>	<u>\$1,801,376</u>	<u>\$12,804,642</u>

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2022

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities</b>				
General Government	\$1,520,529	\$122,009	\$8,933	\$0
Security of Persons and Property	3,961,221	464,671	122,092	0
Transportation	1,149,877	31,340	1,172,875	164,800
Public Health and Welfare	107,361	8,561	0	0
Community Environment	82,620	11,850	0	0
Leisure Time Activities	314,584	7,982	112,340	26,157
Interest	52,829	0	0	0
<i>Total Governmental Activities</i>	7,189,021	646,413	1,416,240	190,957
<b>Business-Type Activities</b>				
Waste Water	162,647	114,814	0	0
<i>Total</i>	\$7,351,668	\$761,227	\$1,416,240	\$190,957

**General Revenues**

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

*Total General Revenues*

*Change in Net Position*

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net Revenue (Expense) and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$1,389,587)	\$0	(\$1,389,587)
(3,374,458)	0	(3,374,458)
219,138	0	219,138
(98,800)	0	(98,800)
(70,770)	0	(70,770)
(168,105)	0	(168,105)
(52,829)	0	(52,829)
(4,935,411)	0	(4,935,411)
0	(47,833)	(47,833)
(4,935,411)	(47,833)	(4,983,244)
734,635	0	734,635
129,481	0	129,481
600,815	0	600,815
99,539	0	99,539
83,308	0	83,308
131,851	0	131,851
4,942,946	0	4,942,946
586,888	0	586,888
25,944	0	25,944
222,078	0	222,078
7,557,485	0	7,557,485
2,622,074	(47,833)	2,574,241
8,381,192	1,849,209	10,230,401
<u>\$11,003,266</u>	<u>\$1,801,376</u>	<u>\$12,804,642</u>

**City of Kirtland, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2022*

	General	Fire Emergency Levy	Street Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,069,605	\$79,091	\$342,729	\$2,379,534	\$4,870,959
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	695,215	0	0	0	695,215
Materials and Supplies Inventory	26,484	0	0	17,788	44,272
Accounts Receivable	4,184	0	0	12,111	16,295
Intergovernmental Receivable	238,160	42,395	0	306,642	587,197
Lease Receivable	982,142	0	0	0	982,142
Prepaid Items	29,988	0	0	0	29,988
Municipal Income Taxes Receivable	1,417,333	0	0	0	1,417,333
Property Taxes Receivable	718,041	587,534	0	433,924	1,739,499
<i>Total Assets</i>	<u>\$6,181,152</u>	<u>\$709,020</u>	<u>\$342,729</u>	<u>\$3,149,999</u>	<u>\$10,382,900</u>
<b>Liabilities</b>					
Accounts Payable	\$62,082	\$0	\$0	\$33,942	\$96,024
Contracts Payable	9,533	0	137,140	115,474	262,147
Deposits Held Payable from Restricted Assets	695,215	0	0	0	695,215
Accrued Wages and Benefits	195,956	0	0	0	195,956
Intergovernmental Payable	54,352	0	0	0	54,352
Unearned Revenue	0	0	0	105,705	105,705
Accrued Interest Payable	5,197	0	0	439	5,636
Notes Payable	463,584	0	0	39,133	502,717
<i>Total Liabilities</i>	<u>1,485,919</u>	<u>0</u>	<u>137,140</u>	<u>294,693</u>	<u>1,917,752</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	706,261	577,941	0	426,573	1,710,775
Leases	982,142	0	0	0	982,142
Unavailable Revenue	1,156,499	51,988	0	268,956	1,477,443
<i>Total Deferred Inflows of Resources</i>	<u>2,844,902</u>	<u>629,929</u>	<u>0</u>	<u>695,529</u>	<u>4,170,360</u>
<b>Fund Balances</b>					
Nonspendable	56,472	0	0	17,788	74,260
Restricted	0	79,091	205,589	1,861,236	2,145,916
Committed	0	0	0	320,325	320,325
Assigned	1,793,859	0	0	0	1,793,859
Unassigned (Deficit)	0	0	0	(39,572)	(39,572)
<i>Total Fund Balances</i>	<u>1,850,331</u>	<u>79,091</u>	<u>205,589</u>	<u>2,159,777</u>	<u>4,294,788</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$6,181,152</u>	<u>\$709,020</u>	<u>\$342,729</u>	<u>\$3,149,999</u>	<u>\$10,382,900</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, 2022*

<b>Total Governmental Fund Balances</b>	<b>\$4,294,788</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,482,779
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	28,724
Municipal Income Taxes	946,104
Intergovernmental	502,615
Total	1,477,443
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(35,975)
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.	(90,671)
Long-term liabilities are not due and payable in the current period therefore are not reported in the funds:	
General Obligation Bonds	(543,500)
OPWC Loans	(53,027)
General Obligation Notes	(3,112,641)
Compensated Absences	(203,885)
Financed Purchase	(18,112)
Total	(3,931,165)
The net pension asset/liability and net OPEB asset/liability are not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in the governmental funds:	
Net Pension Asset	103,897
Deferred Outflows - Pension	1,644,872
Net Pension Liability	(4,617,647)
Deferred Inflows - Pension	(2,635,129)
Net OPEB Asset	221,743
Deferred Outflows - OPEB	440,846
Net OPEB Liability	(706,680)
Deferred Inflows - OPEB	(645,835)
Total	(6,193,933)
<i>Net Position of Governmental Activities</i>	<b>\$11,003,266</b>

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2022*

	General	Fire Emergency Levy	Street Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$744,685	\$609,185	\$0	\$450,106	\$1,803,976
Municipal Income Taxes	4,634,220	0	0	0	4,634,220
Charges for Services	71,617	0	0	246,700	318,317
Licenses and Permits	11,094	0	0	0	11,094
Fines, Forfeitures and Settlements	62,931	0	0	6,781	69,712
Intergovernmental	606,943	84,789	0	1,494,134	2,185,866
Leases	3,203	0	0	0	3,203
Rentals	256,960	0	0	0	256,960
Investment Earnings/Interest	24,133	0	0	1,811	25,944
Contributions and Donations	8,933	0	0	0	8,933
Miscellaneous	165,253	0	0	56,825	222,078
<i>Total Revenues</i>	<u>6,589,972</u>	<u>693,974</u>	<u>0</u>	<u>2,256,357</u>	<u>9,540,303</u>
<b>Expenditures</b>					
Current:					
General Government	1,524,547	0	0	450	1,524,997
Security of Persons and Property	2,809,564	659,537	0	448,649	3,917,750
Transportation	387,492	0	0	1,209,840	1,597,332
Public Health and Welfare	107,361	0	0	0	107,361
Community Environment	147,740	0	0	0	147,740
Leisure Time Activities	99,936	0	0	231,508	331,444
Capital Outlay	0	0	1,139,583	68,032	1,207,615
Debt Service:					
Principal Retirement	462,000	0	0	192,305	654,305
Refunding Notes Redeemed	961,000	0	2,000,000	141,000	3,102,000
Issuance Costs	0	0	6,860	2,892	9,752
Interest	11,971	0	20,000	16,744	48,715
<i>Total Expenditures</i>	<u>6,511,611</u>	<u>659,537</u>	<u>3,166,443</u>	<u>2,311,420</u>	<u>12,649,011</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>78,361</u>	<u>34,437</u>	<u>(3,166,443)</u>	<u>(55,063)</u>	<u>(3,108,708)</u>
<b>Other Financing Sources (Uses)</b>					
General Obligation Refunding Notes Issued	964,297	0	2,006,860	141,484	3,112,641
Transfers In	0	0	700,013	1,117,263	1,817,276
Transfers Out	(1,626,276)	0	0	(191,000)	(1,817,276)
<i>Total Other Financing Sources (Uses)</i>	<u>(661,979)</u>	<u>0</u>	<u>2,706,873</u>	<u>1,067,747</u>	<u>3,112,641</u>
<i>Net Change in Fund Balances</i>	(583,618)	34,437	(459,570)	1,012,684	3,933
<i>Fund Balances Beginning of Year</i>	<u>2,433,949</u>	<u>44,654</u>	<u>665,159</u>	<u>1,147,093</u>	<u>4,290,855</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,850,331</u></u>	<u><u>\$79,091</u></u>	<u><u>\$205,589</u></u>	<u><u>\$2,159,777</u></u>	<u><u>\$4,294,788</u></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, 2022*

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**Net Change in Fund Balances - Total Governmental Funds** \$3,933

*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:			
Capital Outlays	1,625,018		
Capital Contributions	26,157		
Current Year Depreciation	<u>(1,008,088)</u>		
Total			643,087

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

Delinquent Property Taxes	(24,347)		
Municipal Income Taxes	308,726		
Intergovernmental	(26,871)		
Rentals	(201)		
Charges for Services	<u>(12,672)</u>		
Total			244,635

Accrued interest is reported in the statement of activities and does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds:

Accrued Interest	(23,969)		
Amortization of Note Premium	<u>19,855</u>		
Total			(4,114)

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	8,446		
Vacation Benefits	<u>(18,615)</u>		
Total			(10,169)

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. 3,756,305

Other financing sources, such as general obligation notes issued, in the governmental funds that increase long-term liabilities in the statement of net position. (3,112,641)

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

Pension	531,849		
OPEB	<u>8,670</u>		
Total			540,519

Except for amounts reported as deferred inflows/outflows, changes in the net pension and net OPEB liability are reported as pension/OPEB expense in the statement of activities:

Pension	297,083		
OPEB	<u>263,436</u>		
Total			<u>560,519</u>

*Change in Net Position of Governmental Activities* \$2,622,074

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, 2022*

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original Budget	Final Budget		
<b>Revenues</b>				
Property Taxes	\$805,866	\$805,866	\$744,685	(\$61,181)
Municipal Income Taxes	4,083,968	4,748,234	4,864,821	116,587
Charges for Services	56,764	65,997	67,617	1,620
Licenses and Permits	908,434	1,056,192	1,082,126	25,934
Fines and Forfeitures	52,830	61,423	62,931	1,508
Intergovernmental	500,463	581,864	596,151	14,287
Rentals	231,549	269,211	275,821	6,610
Investment Earnings/Interest	7,304	8,492	8,701	209
Contributions and Donations	7,499	8,719	8,933	214
Miscellaneous	142,104	163,083	166,765	3,682
<i>Total Revenues</i>	<u>6,796,781</u>	<u>7,769,081</u>	<u>7,878,551</u>	<u>109,470</u>
<b>Expenditures</b>				
Current:				
General Government	2,060,995	3,122,840	2,585,408	537,432
Security of Persons and Property	3,014,987	2,985,152	2,806,479	178,673
Transportation	284,955	380,190	337,477	42,713
Public Health and Welfare	98,000	101,361	101,361	0
Community Environment	203,923	174,331	152,123	22,208
Leisure Time Activities	101,997	111,557	101,395	10,162
<i>Total Expenditures</i>	<u>5,764,857</u>	<u>6,875,431</u>	<u>6,084,243</u>	<u>791,188</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,031,924	893,650	1,794,308	900,658
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,204,526)	(1,915,940)	(1,915,940)	0
<i>Net Change in Fund Balance</i>	(172,602)	(1,022,290)	(121,632)	900,658
<i>Fund Balance Beginning of Year</i>	2,536,204	2,536,204	2,536,204	0
Prior Year Encumbrances Appropriated	138,675	138,675	138,675	0
<i>Fund Balance End of Year</i>	<u>\$2,502,277</u>	<u>\$1,652,589</u>	<u>\$2,553,247</u>	<u>\$900,658</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, 2022*

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$578,021	\$578,021	\$609,185	\$31,164
Intergovernmental	80,451	80,451	84,789	4,338
<i>Total Revenues</i>	658,472	658,472	693,974	35,502
<b>Expenditures</b>				
Current:				
Security of Persons and Property	654,113	667,713	659,537	8,176
<i>Net Change in Fund Balance</i>	4,359	(9,241)	34,437	43,678
<i>Fund Balance Beginning of Year</i>	44,654	44,654	44,654	0
<i>Fund Balance End of Year</i>	<u>\$49,013</u>	<u>\$35,413</u>	<u>\$79,091</u>	<u>\$43,678</u>

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Fund*  
*December 31, 2022*

	Waste Water
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$124,610
Accounts	225
<i>Total Current Assets</i>	124,835
<i>Noncurrent Assets</i>	
Restricted Assets:	
Net Pension Asset	1,047
Net OPEB Asset	2,238
Non-Depreciable Capital Assets	124,417
Depreciable Capital Assets, Net	1,889,498
<i>Total Noncurrent Assets</i>	2,017,200
<i>Total Assets</i>	2,142,035
<b>Deferred Outflows of Resources</b>	
Pension	2,869
OPEB	2
<i>Total Deferred Outflows of Resources</i>	2,871
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accounts Payable	6,043
Accrued Interest Payable	6,462
Bonds Payable	6,200
OPWC Loans Payable	14,196
<i>Total Current Liabilities</i>	32,901
<i>Long-Term Liabilities (net of current portion)</i>	
Bonds Payable	247,000
OPWC Loans Payable	42,586
Net Pension Liability	5,958
<i>Total Long-Term Liabilities</i>	295,544
<i>Total Liabilities</i>	328,445
<b>Deferred Inflows of Resources</b>	
Pension	11,983
OPEB	3,102
<i>Total Inflows Outflows of Resources</i>	15,085
<b>Net Position</b>	
Net Investment in Capital Assets	1,703,933
Restricted for Pension Plans	591
Unrestricted	96,852
<i>Total Net Position</i>	\$1,801,376

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, 2022*

	Waste Water
<b>Operating Revenues</b>	
Charges for Services	\$114,814
<b>Operating Expenses</b>	
Personal Services	5,731
Services and Supplies	93,618
Depreciation	52,113
<i>Total Operating Expenses</i>	151,462
<i>Operating Income (Loss)</i>	(36,648)
<b>Non Operating Revenues (Expenses)</b>	
Interest	(11,185)
<i>Change in Net Position</i>	(47,833)
<i>Net Position Beginning of Year</i>	1,849,209
<i>Net Position End of Year</i>	\$1,801,376

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
*Statement of Cash Flows*  
*Enterprise Fund*  
For the Year Ended December 31, 2022

	Waste Water
<b>Increases (Decreases) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$114,889
Cash Payments to Suppliers for Services and Supplies	(94,967)
Cash Payments for Employee Services and Benefits	(16,166)
	3,756
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>3,756</i>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of Capital Assets	(5,006)
Principal Paid on Bonds	(5,900)
Interest Paid on Bonds	(11,336)
Principal Paid on OPWC Loans	(14,196)
	(36,438)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<i>(36,438)</i>
Net Increase (Decrease) in Cash and Cash Equivalents	(32,682)
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>157,292</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$124,610</i>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	(\$36,648)
<i>Adjustments:</i>	
Depreciation	52,113
<i>(Increase) Decrease in Assets and Deferred Outflows:</i>	
Accounts Receivable	75
Net Pension Asset	(120)
Deferred Outflows - Pension	1,784
Deferred Outflows - OPEB	840
<i>Increase (Decrease) in Liabilities and Deferred Inflows:</i>	
Accounts Payable	(1,349)
Net Pension Liability	(343)
Net OPEB Liability	32
Deferred Inflows - Pension	(8,577)
Deferred Inflows - OPEB	(4,051)
	40,404
<i>Total Adjustments</i>	<i>40,404</i>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>\$3,756</i>

See accompanying notes to the basic financial statements

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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

***Description of the City***

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

***Reporting Entity***

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

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

The City participates in two jointly governed organization, the Northeast Ohio Public Energy Council and Regional Income Tax Agency. These organizations are presented in Note 19 of the basic financial statements.

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

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

***Basis of Presentation***

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

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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government. 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.

***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. The City has two categories of funds: governmental and proprietary.

***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.

***Street Improvement Fund*** This fund accounts for and reports revenues restricted for the payment of expenditures related to street improvements.

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



**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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

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

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

**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 fund net position.

For proprietary funds, the statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**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 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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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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, forfeitures and settlements, interest, grants and entitlements.

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. 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, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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***Budgetary Process***

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

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

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

***Cash and Cash Equivalents***

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

During 2022, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment Earnings/Interest revenue credited to the general fund during 2022 amounted to \$24,133 which includes \$3,594 assigned from other City funds.

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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

***Inventory***

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***Restricted Assets***

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

***Capital Assets***

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

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

All capital assets are depreciated except for land and construction in progress. 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, 2022*

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***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 proprietary funds are reported in the proprietary 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, financed purchases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***Unearned Revenue***

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

***Pensions/Other Postemployment Benefits (OPEB)***

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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***OneOhio Opioid Settlement Monies***

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Although the settlement has been reached, uncertainties remain related to measurement. As a participating subdivision, the City received the first of eighteen distributions in 2022. This distribution of \$1,935 is reflected as fines, forfeitures and settlements revenue in the OneOhio special revenue fund in the accompanying financial statements.

***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. Restricted net position for pension plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows. 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.

***Leases***

The City serves as lessor in various noncancellable leases which are accounted for as follows:

***Lessor*** At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

***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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State statute. State statute authorizes the Finance Director to assign fund balances for purchases on order provided amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenues and appropriations in 2023's budget.

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

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

### ***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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

***Estimates***

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

**Note 3 – Change in Accounting Principles**

***Change in Accounting Principles***

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*. The City also implemented GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and *Implementation Guide No. 2020-1*

GASB Statement 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City’s 2022 financial statements. The City recognized \$985,345 in leases receivable at January 1, 2022; however, this entire amount was offset by the deferred inflows related to leases.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB 92 addresses a variety of topics including reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers and references to nonrecurring fair value measurements of assets or liabilities in authoritative literature. These changes did not impact the City’s financial statements.

GASB 97, among other items, requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan.

The changes for GASB 87, GASB 91, and GASB 97 were incorporated in the City’s 2022 financial statements; however, there was no effect on beginning net position/fund balance.



**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

**Note 4 – Accountability**

The following funds had deficit fund balances as of December 31, 2022:

Capital Projects Funds:	
Worrell Road	\$31,455
School Crosswalk	5,073
SR 306 and SR 6 - Various Projects	3,044

The deficit in the Worrell Road, School Crosswalk and State Route 306 and 6 capital projects funds are the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or the bonds are issued, the deficit will be eliminated. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

**Note 5 – Fund Balances**

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

Fund Balances	General	Fire Emergency Levy	Street Improvement	Other Governmental Funds	Total Governmental Funds
<u><b>Nonspendable:</b></u>					
Prepays	\$29,988	\$0	\$0	\$0	\$29,988
Inventory	26,484	0	0	17,788	44,272
<i>Total Nonspendable</i>	<u>56,472</u>	<u>0</u>	<u>0</u>	<u>17,788</u>	<u>74,260</u>
<u><b>Restricted for:</b></u>					
Police Department Operations	0	0	0	60,610	60,610
Police Pension	0	0	0	76,525	76,525
Fire Department Operations	0	79,091	0	36,590	115,681
Road Levy	0	0	0	49,101	49,101
Senior Citizens	0	0	0	240,206	240,206
Street and Highway Construction, Maintenance and Repair	0	0	0	328,062	328,062
Capital Projects	0	0	205,589	662,266	867,855
Debt Service	0	0	0	67,196	67,196
Other Purposes	0	0	0	340,680	340,680
<i>Total Restricted</i>	<u>\$0</u>	<u>\$79,091</u>	<u>\$205,589</u>	<u>\$1,861,236</u>	<u>\$2,145,916</u>

(continued)

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

Fund Balances (Continued)	General	Fire Emergency Levy	Street Improvement	Other Governmental Funds	Total Governmental Funds
<b>Committed to:</b>					
Capital Projects	\$0	\$0	\$0	\$320,325	\$320,325
<b>Assigned to:</b>					
Year 2023 Operations	1,621,356	0	0	0	1,621,356
Purchases on Order					
General Government	145,989	0	0	0	145,989
Security of Persons and Property	12,403	0	0	0	12,403
Transportation	1,906	0	0	0	1,906
Community Environment	4,215	0	0	0	4,215
Public Health and Welfare	5,632	0	0	0	5,632
Leisure Time Activities	2,358	0	0	0	2,358
<i>Total Assigned</i>	<u>1,793,859</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,793,859</u>
Unassigned (Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(39,572)</u>	<u>(39,572)</u>
Total Fund Balances	<u>\$1,850,331</u>	<u>\$79,091</u>	<u>\$205,589</u>	<u>\$2,159,777</u>	<u>\$4,294,788</u>

**Note 6 - Budgetary Basis of Accounting**

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

The major differences between the budget basis and the GAAP basis are as follows:

- 1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).
- 4) Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

Net Change in Fund Balances

	General	Fire Emergency Levy
GAAP Basis	(\$583,618)	\$34,437
Net Adjustment for Revenue Accruals	(139,302)	0
Net Adjustment for Expenditure Accruals	636,332	0
Proceeds of Notes	463,584	0
Principal Retirement	(287,055)	0
Encumbrances	(211,573)	0
Budget Basis	(\$121,632)	\$34,437

**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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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

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

**Investments**

At December 31, 2022, the City had \$623,980 invested in STAR Ohio with an average maturity of 31.9 days.

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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

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

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

## **Note 8 – Receivables**

Receivables at December 31, 2022, consisted primarily of property taxes, municipal income taxes, accounts (billings for user charged services), leases, 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 and leases, 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 2022 for real and public utility property taxes represents collections of 2021 taxes.

2022 real property taxes were levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022, was \$11.05 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2022 property tax receipts were based are as follows:

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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	<u>Assessed Values</u>
Real Property	
Residential/Agricultural	\$292,646,710
Other Real Estate	14,226,880
Public Utility Personal Property	<u>10,646,680</u>
Total Valuation	<u><u>\$317,520,270</u></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, 2022, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2022 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. Payments are remitted monthly net of collection fees of approximately 2 percent.

***Leases Receivable***

The City is reporting leases receivable of \$982,142 in the general fund at December 31, 2022. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2022, the City recognized lease revenue of \$3,203 and interest revenue of \$15,432 in the general fund related to lease payments received. A description of the City's leasing arrangements is as follows:

*Cell tower Leases* – The City has entered into a lease agreement with North Star commencing in 2020 for 55 years, ending in 2075. North Star remits the lease payments monthly to the City. A summary of the future lease revenue followings:

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

	General	
Year	Principal	Interest
2023	\$3,629	\$15,378
2024	4,070	15,319
2025	4,524	15,252
2026	4,994	15,177
2027	5,480	15,096
2028-2032	35,246	73,972
2033-2037	49,930	70,657
2038-2042	67,040	66,098
2043-2047	86,903	60,094
2048-2052	108,226	52,432
2053-2057	119,581	43,453
2058-2062	129,330	33,704
2063-2067	139,873	23,161
2068-2072	151,276	11,758
2073-2075	72,040	1,326
	\$982,142	\$512,877

***Intergovernmental Receivable***

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

Governmental Activities	Amount
Gasoline Tax	\$217,409
Local Government	172,110
Homestead and Rollback	123,168
Motor Vehicle License & Permissive Fees Tax	60,911
Board of Education	12,902
Department of Public Safety	697
Total	\$587,197

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

**Note 9 – Interfund Transfers**

At December 31, 2022, interfund transfers were as follows:

<u>Transfers To</u>	<u>Transfers From</u>		<u>Totals</u>
	<u>General</u>	<u>Other Governmental Funds</u>	
<b>Majors Governmental Fund:</b>			
Street Improvement	\$700,013	\$0	\$700,013
<b>Other Governmental Funds:</b>			
Police Pension	115,000	0	115,000
General Obligation Bond Retirement	86,078	71,122	157,200
Sperry Road Improvement	0	15,093	15,093
Tibbets Road	0	14,087	14,087
Worrell Road Resurfacing	0	2,059	2,059
School Crosswalk	0	157	157
SR 306 and SR 6 - Various Projects	0	88,482	88,482
Capital Improvements	575,185	0	575,185
Sanitary Improvements	150,000	0	150,000
<b>Total Governmental Funds</b>	<u>1,626,276</u>	<u>191,000</u>	<u>1,817,276</u>

The general fund transfer to the police pension special revenue fund is to cover pension payments. The general fund transfer to the street improvement capital projects fund, debt service fund, capital improvements fund was to cover debt payment requirements. The major capital equipment special revenue fund transfer to the general obligation bond retirement fund and Sperry road improvement, Tibbets road, Worrell road resurfacing, school crosswalk, SR 306 and SR 6, capital improvement capital projects fund for debt payment requirements. The general fund transfer to the sanitary improvements capital project fund was for future capital improvements.

**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***

As of December 31, 2022, the City was not party to any legal proceedings.



**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

**Note 11 - Capital Assets**

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance 12/31/2021	Additions	Deductions	Balance 12/31/2022
<b>Governmental Activities:</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,364,602	\$0	\$0	\$1,364,602
Construction in Progress	1,442,940	380,333	(1,790,267)	33,006
<i>Total Capital Assets, not being depreciated</i>	<u>2,807,542</u>	<u>380,333</u>	<u>(1,790,267)</u>	<u>1,397,608</u>
<i>Capital Assets, being depreciated</i>				
Buildings, Structures and Improvements	6,574,181	3,850	0	6,578,031
Machinery and Equipment	6,519,318	101,916	(29,214)	6,592,020
Infrastructure:				
Roads	35,881,297	2,955,343	0	38,836,640
Storm Sewer	1,616,099	0	0	1,616,099
<i>Total Capital Assets, being depreciated</i>	<u>50,590,895</u>	<u>3,061,109</u>	<u>(29,214)</u>	<u>53,622,790</u>
<i>Less Accumulated Depreciation:</i>				
Buildings, Structures and Improvements	(4,383,890)	(168,242)	0	(4,552,132)
Machinery and Equipment	(4,933,862)	(265,521)	29,214	(5,170,169)
Infrastructure:				
Roads	(28,403,552)	(509,472)	0	(28,913,024)
Storm Sewer	(837,441)	(64,853)	0	(902,294)
<i>Total Accumulated Depreciation</i>	<u>(38,558,745)</u>	<u>(1,008,088)*</u>	<u>29,214</u>	<u>(39,537,619)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>12,032,150</u>	<u>2,053,021</u>	<u>0</u>	<u>14,085,171</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$14,839,692</u>	<u>\$2,433,354</u>	<u>(\$1,790,267)</u>	<u>\$15,482,779</u>

During 2022, the City received equipment valued at \$26,157 from developers in governmental activities.

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

General Government	\$90,729
Security of Persons and Property	187,456
Transportation	667,019
Community Environment	2,714
Leisure Time Activities	60,170
Total	<u>\$1,008,088</u>

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

	Balance 12/31/2021	Additions	Deductions	Balance 12/31/2022
<b>Business-Type Activities:</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$124,417	\$0	\$0	\$124,417
<i>Capital Assets, being depreciated</i>				
Buildings, Structures and Improvements	164,476	0	0	164,476
Machinery and Equipment	52,123	5,006	0	57,129
Infrastructure:				
Sewer Lines	2,798,671	0	0	2,798,671
<i>Total Capital Assets, being depreciated</i>	3,015,270	5,006	0	3,020,276
<i>Less Accumulated Depreciation:</i>				
Buildings, Structures and Improvements	(151,706)	(1,153)	0	(152,859)
Machinery and Equipment	(43,098)	(2,408)	0	(45,506)
Infrastructure:				
Sewer Lines	(883,861)	(48,552)	0	(932,413)
<i>Total Accumulated Depreciation</i>	(1,078,665)	(52,113)	0	(1,130,778)
<i>Total Capital Assets being depreciated, Net</i>	1,936,605	(47,107)	0	1,889,498
<i>Business-Type Activities Capital Assets, Net</i>	\$2,061,022	(\$47,107)	\$0	\$2,013,915

**Note 12 - Risk Management**

***Workers' Compensation***

The City pays the State Workers' Compensation System a premium based on gross payroll. This rate is calculated based on accident history and administrative costs.

***Property and Liability***

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2022, the City contracted with various insurance agencies for various types of insurance. The type, coverage, and deductibles for the City's insurance follows:

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

<u>Type</u>	<u>Coverage</u>	<u>Deductible</u>
Wichert Insurance Agency:		
Commercial Property	\$13,923,883	\$1,000
Earthquake and Flood	500,000	25,000
Boiler Machinery and Machinery	13,761,168	1,000
Leased/Rental Equipment	185,000	1,000
Inland Marine	929,523	1,000
Commercial General Liability	1,000,000	0
Umbrella Liability	4,000,000	0
Commercial Automotive	1,000,000	500
Uninsured Motorists	50,000	0
Love Insurance Agency:		
Law Enforcement	1,000,000	5,000
Public Officials	1,000,000	5,000
Employment Practices	1,000,000	7,500

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

**Note 13 - Defined Benefit Pension Plans**

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

***Net Pension Liability (Asset) /Net OPEB Liability (Asset)***

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

***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 is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

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

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

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

	State and Local
<b>2022 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2022 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

- \* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- \*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2022, the City’s contractually required contribution was \$156,876 for the traditional plan and \$18,200 for the combined plan. The member-directed plan did not have a contractually required contribution. Of these amounts, \$5,391 is reported as an intergovernmental payable for the traditional plan and \$625 for the combined plan. The member-directed plan did not report an intergovernmental payable.

***Ohio Police & Fire Pension Fund (OP&F)***

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

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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

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

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

	Police	Firefighters
<b>2022 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2022 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$358,524 for 2022. Of this amount, \$14,290 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 (asset) for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	<u>OPERS</u> <u>Traditional Plan</u>	<u>OPERS</u> <u>Combined Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0068470%	0.0266350%	0.0644728%	
Prior Measurement Date	<u>0.0095050%</u>	<u>0.0126680%</u>	<u>0.0662074%</u>	
Change in Proportionate Share	<u>-0.0026580%</u>	<u>0.0139670%</u>	<u>-0.0017346%</u>	
Proportionate Share of the:				
Net Pension Liability	\$595,717	\$0	\$4,027,888	\$4,623,605
Net Pension Asset	0	(104,944)	0	(104,944)
Pension Expense	(541,380)	(9,048)	247,840	(302,588)

2022 pension expense for the member-directed defined contribution plan was not applicable. The aggregate pension expense for all pension plans was a negative \$302,588 for 2022.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:



**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$30,369	\$651	\$116,141	\$147,161
Changes of assumptions	74,494	5,274	736,125	815,893
Changes in proportion and differences between City contributions and proportionate share of contributions	0	852	150,235	151,087
City contributions subsequent to the measurement date	156,876	18,200	358,524	533,600
<b>Total Deferred Outflows of Resources</b>	<b>\$261,739</b>	<b>\$24,977</b>	<b>\$1,361,025</b>	<b>\$1,647,741</b>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$13,066	\$11,737	\$209,395	\$234,198
Net difference between projected and actual earnings on pension plan investments	708,583	22,498	1,056,050	1,787,131
Changes in proportion and differences between City contributions and proportionate share of contributions	405,863	36,483	183,437	625,783
<b>Total Deferred Inflows of Resources</b>	<b>\$1,127,512</b>	<b>\$70,718</b>	<b>\$1,448,882</b>	<b>\$2,647,112</b>

\$533,600 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2023	(\$405,241)	(\$12,058)	(\$16,942)	(\$434,241)
2024	(338,073)	(14,697)	(293,561)	(646,331)
2025	(166,617)	(11,415)	(110,827)	(288,859)
2026	(112,718)	(9,785)	(92,056)	(214,559)
2027	0	(5,581)	67,005	61,424
Thereafter	0	(10,405)	0	(10,405)
<b>Total</b>	<b>(\$1,022,649)</b>	<b>(\$63,941)</b>	<b>(\$446,381)</b>	<b>(\$1,532,971)</b>

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2022, then 2.05 percent, simple	3.0 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	0.5 percent, simple through 2021, then 2.15 percent, simple	0.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3 percent for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	<u>100.00%</u>	<u>4.21%</u>

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

**Discount Rate** The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The discount rate for the prior year was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
<b>City's proportionate share of the net pension liability (asset)</b>			
OPERS Traditional Plan	\$1,570,633	\$595,717	(\$215,544)
OPERS Combined Plan	(78,307)	(104,944)	(125,717)

**Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2021, are presented below.

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021, are summarized below:

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income *	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
<b>Total</b>	<b>125.00 %</b>	

Note: Assumptions are geometric.

\* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** For 2021, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$5,973,301	\$4,027,888	\$2,407,839

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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**Note 14 - Defined Benefit OPEB Plans**

See Note 13 for a description of the net OPEB liability (asset).

***Ohio Public Employees Retirement System (OPERS)***

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$153 for 2022. None of this amount is reported as an intergovernmental payable.

***Ohio Police & Fire Pension Fund (OP&F)***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.



**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$8,519 for 2022. Of this amount, \$340 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2021, and was determined by rolling

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.0071510%	0.0644728%	
Prior Measurement Date	<u>0.0092470%</u>	<u>0.0662074%</u>	
Change in Proportionate Share	<u>-0.0020960%</u>	<u>-0.0017346%</u>	
			<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$0	\$706,680	\$706,680
Net OPEB Asset	(223,981)	0	(223,981)
OPEB Expense	(317,622)	51,009	(266,613)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$32,148	\$32,148
Changes of assumptions	0	312,797	312,797
Changes in proportion and differences between City contributions and proportionate share of contributions	0	87,231	87,231
City contributions subsequent to the measurement date	<u>153</u>	<u>8,519</u>	<u>8,672</u>
Total Deferred Outflows of Resources	<u>\$153</u>	<u>\$440,695</u>	<u>\$440,848</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$33,974	\$93,397	\$127,371
Changes of assumptions	90,664	82,077	172,741
Net difference between projected and actual earnings on OPEB plan investments	106,778	63,836	170,614
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>78,869</u>	<u>99,342</u>	<u>178,211</u>
Total Deferred Inflows of Resources	<u>\$310,285</u>	<u>\$338,652</u>	<u>\$648,937</u>

\$8,672 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

Year Ending December 31:	OPERS	OP&F	Total
2023	(\$209,853)	\$22,455	(\$187,398)
2024	(61,767)	12,977	(48,790)
2025	(23,330)	21,130	(2,200)
2026	(15,335)	7,607	(7,728)
2027	0	15,515	15,515
Thereafter	0	13,840	13,840
Total	(\$310,285)	\$93,524	(\$216,761)

**Actuarial Assumptions - OPERS**

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent	3.25 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.5 percent, initial	8.5 percent, initial
	3.50 percent, ultimate in 2034	3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	<u>100.00%</u>	<u>3.45%</u>

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

**Discount Rate** A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index’s “20-Year Municipal GO AA Index”). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	\$131,721	\$223,981	\$300,557

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$226,401	\$223,981	\$221,109

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

**Actuarial Assumptions – OP&F**

OP&F’s total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

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

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

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

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

**Discount Rate** For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.84 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	\$888,309	\$706,680	\$557,376

## Note 15 – Other Employee Benefits

### *Compensated Absences*

Employees earn one 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

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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employee was unable to take. Employees can earn thirteen holidays per year including two personal days off and one personal sick day. Upon termination, employees are paid for accrued unused vacation, compensatory or holiday time earned but not used.

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

***Social Security***

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

***Health Insurance***

The City provides hospitalization, medical, dental, vision and life insurance for all full time employees. Starting January 1, 2021 the City entered into a three year contract with the Lake County Board of Commissioners to participate in their group health plan. Medical Mutual provided the hospitalization and medical insurance in 2022. Employees pay ten percent of the premium up to a maximum of \$300 per month effective January 2021. Guardian provides dental, vision and life insurance at no cost to employees. Full-time employees are covered under the City's group term life and accidental death and dismemberment in the amount of \$20,000. Furthermore, eligible employees have the option of purchasing additional life insurance in increments of \$10,000 with a maximum of \$300,000.

***Deferred Compensation***

City employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 456 and is considered an other employee benefit plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.



**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

**Note 16 – Short-Term Obligations**

A summary of note transactions for the year ended December 31, 2022 follows:

	Balance 12/31/21	Additions	Reductions	Balance 12/31/22
<b>General Fund:</b>				
Truck (Service Department) - 2013	\$50,184	\$0	(\$50,184)	\$0
Truck (Service Department) - 2014	16,059	84,288	(16,059)	84,288
Computer System Upgrades - 2014	10,037	190,653	(10,037)	190,653
Roof HVAC System (City Hall) - 2016	20,074	0	(20,074)	0
Plow Truck (Service Department) - 2017	104,384	0	(104,384)	0
Roof HVAC System (Fire Station) - 2017	5,018	73,250	(5,018)	73,250
Arborhurst & Singlefoot Rds - 2020	10,037	10,034	(10,037)	10,034
Road Equipment - 2020	8,030	10,034	(8,030)	10,034
Fire Engine - 2017	40,148	45,154	(40,148)	45,154
Service Department Vehicles - 2018	0	16,055	0	16,055
City Hall Roof (Phase II) - 2020	5,018	5,017	(5,018)	5,017
Safety System Upgrade - 2020	0	8,027	0	8,027
Fire Squad - 2020	18,066	21,072	(18,066)	21,072
<b>Total General Fund</b>	<b>287,055</b>	<b>463,584</b>	<b>(287,055)</b>	<b>463,584</b>
<b>Sperry Road Improvements Fund:</b>				
Road Improvements - 2015	15,055	0	(15,055)	0
<b>Tibbetts Road Fund:</b>				
Tibbetts Road Completion - 2014	14,052	0	(14,052)	0
<b>Worrell Road Resurfacing Fund:</b>				
Worrell Road Resurfacing - 2020	2,008	31,106	(2,008)	31,106
<b>School Crosswalk Fund:</b>				
School Crosswalk - 2020	0	5,017	0	5,017
<b>State Route 306 and 6 Fund:</b>				
State Route 306 Slope Stabilization	3,011	3,010	(3,011)	3,010
State Route 6 Resurfacing	50,185	0	(50,185)	0
Lakeland Turn Lanes (Phase II) - 2014	35,129	0	(35,129)	0
<b>Total State Route 306 and 6 Fund</b>	<b>88,325</b>	<b>3,010</b>	<b>(88,325)</b>	<b>3,010</b>
<b>Total</b>	<b>\$406,495</b>	<b>\$502,717</b>	<b>(\$406,495)</b>	<b>\$502,717</b>

All the notes are backed by the full faith and credit of the City of Kirtland and mature within one year. The maturity date for all outstanding notes is April 20, 2023 and the notes have an interest rate of 2.25 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 \$502,717 liability above represents the portion of these notes which will be paid down in 2023. The remaining balance of these notes is reported as a long-term liability (See Note 17).

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

**Note 17 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<i>Enterprise General Obligation Bonds:</i>			
Templeview Sewer Project Bond - 2006	4.375%	\$323,000	June 1, 2046
<i>Enterprise Ohio Public Works Commission Loans:</i>			
Templeview Sewer - 2003	0.00	283,915	July 1, 2026
<i>General Obligation Bonds:</i>			
Various Purpose Refunding Bonds - 2016:			
State Route 306 Improvement	2.38	662,729	December 1, 2026
Parks and Recreation Purposes		408,318	December 1, 2026
Service Facility		125,636	December 1, 2026
Senior Center		62,817	December 1, 2026
<i>From Direct Borrowings:</i>			
<i>Ohio Public Works Commission Loans:</i>			
Route 306 Widening Phase II - 2005	0.00	50,000	January 31, 2026
Route 306 and Route 6 Intersection - 2011	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>			
Arborhurst and Singlefoot Roads - 2016	2.25	170,583	April 20, 2023
Road Equipment - 2016	2.25	59,203	April 20, 2023
Fire Squad - 2016	2.25	128,439	April 20, 2023
Fire Engine - 2017	2.25	316,080	April 20, 2023
City Hall Roof (Phase II) - 2017	2.25	90,309	April 20, 2023
Safety System Upgrade - 2018	2.25	65,223	April 20, 2023
Service Department Vehicle - 2018	2.25	134,460	April 20, 2023
School Crosswalk - 2018	2.25	95,326	April 20, 2023
State Route 306 Slope Stabilization - 2016	2.25	46,158	April 20, 2023
Street Improvement - 2021	2.25	2,006,860	April 20, 2023

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

	Balance 12/31/21	Additions	Reductions	Balance 12/31/22	Amounts Due in One Year
<b>Governmental Activities:</b>					
<i>General Obligation Bonds:</i>					
Various Purpose Refunding Bonds 2016:					
State Route 306 Improvement	\$353,069	\$0	(\$67,089)	\$285,980	\$68,140
Parks and Recreation Purposes	217,532	0	(41,334)	176,198	41,983
Service Facility	66,933	0	(12,718)	54,215	12,918
Senior Center	33,466	0	(6,359)	27,107	6,459
<i>Total General Obligation Bonds</i>	<u>671,000</u>	<u>0</u>	<u>(127,500)</u>	<u>543,500</u>	<u>129,500</u>
<b>Loans from Direct Borrowings:</b>					
<i>OPWC Loans:</i>					
Route 306 Widening, Phase II 2005	11,250	0	(2,500)	8,750	2,500
Route 306 and Route 6 Intersection	23,684	0	(2,632)	21,052	2,632
Route 306 at Lakeland Community College	26,325	0	(3,100)	23,225	3,100
<i>Total Loans from Direct Borrowings</i>	<u>\$61,259</u>	<u>\$0</u>	<u>(\$8,232)</u>	<u>\$53,027</u>	<u>\$8,232</u>

(continued)

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

	Balance 12/31/21	Additions	Reductions	Balance 12/31/22	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>Long-Term Notes Payable:</b>					
Truck (Service Department) - 2014	\$84,310	\$0	(\$84,310)	\$0	\$0
Roof and HVAC System (City Hall)	190,701	0	(190,701)	0	0
Roof and HVAC System (Fire Station)	73,269	0	(73,269)	0	0
Arborhurst and Singlefoot Roads - 2016	180,664	170,583	(180,664)	170,583	0
Road Equipment - 2016	69,255	59,203	(69,255)	59,203	0
Fire Squad - 2016	149,550	128,439	(149,550)	128,439	0
Fire Engine - 2017	361,328	316,080	(361,328)	316,080	0
City Hall Roof (Phase II) - 2017	95,351	90,309	(95,351)	90,309	0
Safety System Upgrade - 2018	73,269	65,223	(73,269)	65,223	0
Service Department Vehicle - 2018	150,554	134,460	(150,554)	134,460	0
Worrell Road Resurfacing - 2016	31,114	0	(31,114)	0	0
School Crosswalk	100,369	95,326	(100,369)	95,326	0
State Route 306 Slope Stabilization - 2016	49,181	46,158	(49,181)	46,158	0
Street Improvement Notes - 2021	2,013,940	2,006,860	(2,013,940)	2,006,860	0
<b>Total Long-Term Notes Payable</b>	<b>3,622,855</b>	<b>3,112,641</b>	<b>(3,622,855)</b>	<b>3,112,641</b>	<b>0</b>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	212,331	59,940	(68,386)	203,885	26,300
Financed Purchase from Direct Borrowing	35,685	0	(17,573)	18,112	18,112
<b>Total Other Long-Term Obligations</b>	<b>248,016</b>	<b>59,940</b>	<b>(85,959)</b>	<b>221,997</b>	<b>44,412</b>
<b>Net Pension Liability:</b>					
OPERS	1,393,408	0	(803,649)	589,759	0
OP&F	4,513,417	0	(485,529)	4,027,888	0
<b>Total Net Pension Liability</b>	<b>5,906,825</b>	<b>0</b>	<b>(1,289,178)</b>	<b>4,617,647</b>	<b>0</b>
<b>Net OPEB Liability:</b>					
OP&F	701,479	5,201	0	706,680	0
<b>Total Governmental Activities</b>	<b>\$11,211,434</b>	<b>\$3,177,782</b>	<b>(\$5,133,724)</b>	<b>\$9,255,492</b>	<b>\$182,144</b>
<b>Business-Type Activities</b>					
<b>General Obligation Bonds</b>					
Templeview Sewer Project	\$259,100	\$0	(\$5,900)	\$253,200	\$6,200
<b>OPWC Loan:</b>					
Templeview Sewer	70,978	0	(14,196)	56,782	14,196
<b>Net Pension Liability:</b>					
OPERS	14,076	0	(8,118)	5,958	0
<b>Total Business-Type Activities</b>	<b>\$344,154</b>	<b>\$0</b>	<b>(\$28,214)</b>	<b>\$315,940</b>	<b>\$20,396</b>

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

From 2003 to 2006, the City received \$283,915 in Ohio Public Works Commission (OPWC) loans through direct placement for the Templeview Sewer Project. The OPWC loan will be paid from collections in the waste water fund.

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2022

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

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

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

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

During 2022, the City issued \$3,102,000 in bond anticipation notes which were used to retire the 2021 \$3,603,000 in 2021 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 one year.

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

The City's overall legal debt margin was \$29,697,656 with an unvoted debt margin of \$13,821,643 at December 31, 2022. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2022 are as follows:

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	General Obligation Bonds		<i>From Direct Borrowings</i>	General Obligation Bonds		<i>From Direct Borrowings</i>
			OPWC Loan			OPWC Loan
	Principal	Interest	Principal	Principal	Interest	Principal
2023	\$129,500	\$11,394	\$8,232	\$6,200	\$11,078	\$14,196
2024	136,500	8,229	8,231	6,400	10,836	14,195
2025	138,000	4,962	8,231	6,700	10,526	14,196
2026	139,500	1,660	6,982	7,000	10,233	14,195
2027	0	0	5,731	7,300	9,927	0
2028-2032	0	0	15,620	41,700	44,600	0
2033-2037	0	0	0	51,800	34,598	0
2038-2042	0	0	0	64,100	22,229	0
2043-2046	0	0	0	62,000	6,932	0
<b>Total</b>	<b>\$543,500</b>	<b>\$26,245</b>	<b>\$53,027</b>	<b>\$253,200</b>	<b>\$160,959</b>	<b>\$56,782</b>

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

The City’s outstanding OPWC loans from direct borrowings and direct placements related to governmental activities of \$53,027 and related to business type activities of \$56,782 contain a provision that in an event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General’s office for collection, and as provided by law, OPWC may require that such payment be taken from the City’s share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC’s option, become immediately due and payable.

**Note 18 – 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	\$211,573	Waste Water	\$5,393
Street Improvement	312,005		
Other Governmental Funds	831,021		
Total Governmental Funds	\$1,354,599		

**Note 19 – Jointly Governed Organizations**

***Northeast Ohio Public Energy Council***

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of 298 communities who have been authorized by ballot to purchase electricity or natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the nine-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation programs. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2022. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 4413.

***Regional Income Tax Agency***

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the

**City of Kirtland, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2022*

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council of governments (COG). Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the COG. For 2022, the City paid RITA \$98,979 for income tax collection services.

**Note 20 – Asset Retirement Obligations**

The Governmental Accounting Standard Board's (GASB) Statement No. 83, Certain Asset Retirement Obligations, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need addressed; therefore, a reliable estimated amount could not be determined.

**Note 21 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2022, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**Note 22 – Subsequent Events**

On April 19, 2023, the City issued \$3,102,000 in general obligation bond anticipation notes. The notes were sold at an interest rate of 4.25 percent and mature on April 18, 2024. The notes were used to retire \$3,102,000 in general obligation bond anticipation notes due to retire on April 20, 2023.

## **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 Nine Years (1)*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's Proportion of the Net Pension Liability	0.0068470%	0.0095050%	0.0111650%	0.0123410%
City's Proportionate Share of the Net Pension Liability	\$595,717	\$1,407,484	\$2,206,838	\$3,379,950
City's Covered Payroll	\$993,664	\$1,338,821	\$1,571,000	\$1,666,843
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.95%	105.13%	140.47%	202.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%

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

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

See accompanying notes to the required supplementary information



2018	2017	2016	2015	2014
0.0123440%	0.0123650%	0.0128890%	0.0131390%	0.0131390%
\$1,936,535	\$2,807,880	\$2,232,537	\$1,584,711	\$1,548,917
\$1,631,246	\$1,598,392	\$1,604,217	\$1,610,883	\$1,567,092
118.72%	175.67%	139.17%	98.38%	98.84%
84.66%	77.25%	81.08%	86.45%	86.36%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's Proportion of the Net Pension (asset)	0.0266350%	0.0126680%	0.0051350%
City's Proportionate Share of the Net Pension (asset)	(\$104,944)	(\$36,568)	(\$10,708)
City's Covered Payroll	\$121,429	\$55,829	\$22,857
City's Proportionate Share of the Net Pension (asset) as a Percentage of its Covered Payroll	86.42%	65.50%	46.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	169.88%	157.67%	145.28%

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

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

See accompanying notes to the required supplementary information

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<u>2019</u>	<u>2018</u>
0.0062580%	0.0048670%
(\$6,998)	(\$6,625)
\$26,764	\$19,938
26.15%	33.23%
126.64%	137.28%

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

	2022	2021	2020
City's Proportion of the Net OPEB Liability	0.0071510%	0.0092470%	0.0105790%
City's Proportionate Share of the Net OPEB (Asset)/Liability	(\$223,981)	(\$164,744)	\$1,461,234
City's Covered Payroll	\$1,115,218	\$1,398,500	\$1,598,257
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-20.08%	-11.78%	91.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%

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

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.0116810%	0.0116600%	0.0115600%
\$1,522,928	\$1,266,190	\$1,167,599
\$1,694,257	\$1,651,809	\$1,598,392
89.89%	76.65%	73.05%
46.33%	54.14%	54.04%

**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 Nine Years (1)*

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.0644728%	0.0662074%	0.0638224%	0.0648340%
City's Proportionate Share of the Net Pension Liability	\$4,027,888	\$4,513,417	\$4,299,418	\$5,292,168
City's Covered Payroll	\$1,621,668	\$1,591,576	\$1,512,881	\$1,420,506
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	248.38%	283.58%	284.19%	372.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

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

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.0615670%	0.0662470%	0.0671060%	0.0645996%	0.0645996%
\$3,778,644	\$4,196,018	\$4,316,976	\$3,346,528	\$3,146,203
\$1,413,663	\$1,396,114	\$1,342,602	\$1,266,312	\$1,297,154
267.29%	300.55%	321.54%	264.27%	242.55%
70.91%	68.36%	66.77%	71.71%	73.00%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's Proportion of the Net OPEB Liability	0.0644728%	0.0662074%	0.0638224%
City's Proportionate Share of the Net OPEB Liability	\$706,680	\$701,479	\$630,420
City's Covered Payroll	\$1,621,668	\$1,591,576	\$1,512,881
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	43.58%	44.07%	41.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.90%	45.40%	47.08%

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

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

See accompanying notes to the required supplementary information



2019	2018	2017
0.0648340%	0.0615670%	0.0662470%
\$590,414	\$3,488,299	\$3,144,596
\$1,420,506	\$1,413,663	\$1,396,114
41.56%	246.76%	225.24%
46.57%	14.13%	15.96%

**City of Kirtland, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Contributions*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

	2022	2021	2020	2019
<b>Net Pension Liability - Traditional Plan</b>				
Contractually Required Contribution	\$156,876	\$139,113	\$187,435	\$219,940
Contributions in Relation to the Contractually Required Contribution	<u>(156,876)</u>	<u>(139,113)</u>	<u>(187,435)</u>	<u>(219,940)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,120,543	\$993,664	\$1,338,821	\$1,571,000
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net Pension Liability - Combined Plan</b>				
Contractually Required Contribution	\$18,200	\$17,000	\$7,816	\$3,200
Contributions in Relation to the Contractually Required Contribution	<u>(18,200)</u>	<u>(17,000)</u>	<u>(7,816)</u>	<u>(3,200)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$130,000	\$121,429	\$55,829	\$22,857
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability - OPEB Plan (1)</b>				
Contractually Required Contribution	\$153	\$5	\$154	\$176
Contributions in Relation to the Contractually Required Contribution	<u>(153)</u>	<u>(5)</u>	<u>(154)</u>	<u>(176)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$1,254,368	\$1,115,218	\$1,398,500	\$1,598,257
OPEB Contributions as a Percentage of Covered Payroll	<u>0.01%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the traditional plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$233,358	\$212,062	\$191,807	\$192,506	\$193,306	\$203,722
(233,358)	(212,062)	(191,807)	(192,506)	(193,306)	(203,722)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,666,843	\$1,631,246	\$1,598,392	\$1,604,217	\$1,610,883	\$1,567,092
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
\$3,747	\$2,592				
(3,747)	(2,592)				
\$0	\$0				
\$26,764	\$19,938				
14.00%	13.00%				
\$26	\$16,536	\$31,968			
(26)	(16,536)	(31,968)			
\$0	\$0	\$0			
\$1,694,257	\$1,651,809	\$1,598,392			
0.00%	1.00%	2.00%			

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

	2022	2021	2020	2019	2018
<b>Net Pension Liability</b>					
Contractually Required Contribution	\$358,524	\$341,695	\$337,157	\$321,607	\$302,607
Contributions in Relation to the Contractually Required Contribution	<u>(358,524)</u>	<u>(341,695)</u>	<u>(337,157)</u>	<u>(321,607)</u>	<u>(302,607)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$1,703,888	\$1,621,668	\$1,591,576	\$1,512,881	\$1,420,506
Pension Contributions as a Percentage of Covered Payroll	<u>21.04%</u>	<u>21.07%</u>	<u>21.18%</u>	<u>21.26%</u>	<u>21.30%</u>
<b>Net OPEB Liability</b>					
Contractually Required Contribution	\$8,519	\$8,108	\$7,897	\$7,565	\$7,103
Contributions in Relation to the Contractually Required Contribution	<u>(8,519)</u>	<u>(8,108)</u>	<u>(7,897)</u>	<u>(7,565)</u>	<u>(7,103)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.38%</u>	<u>0.36%</u>	<u>0.35%</u>	<u>0.33%</u>	<u>0.31%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.42%</u>	<u>21.43%</u>	<u>21.53%</u>	<u>21.59%</u>	<u>21.61%</u>

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013
\$301,346	\$296,723	\$285,807	\$270,345	\$235,746
<u>(301,346)</u>	<u>(296,723)</u>	<u>(285,807)</u>	<u>(270,345)</u>	<u>(235,746)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,413,663	\$1,396,114	\$1,342,602	\$1,266,312	\$1,297,154
<u>21.32%</u>	<u>21.25%</u>	<u>21.29%</u>	<u>21.35%</u>	<u>18.17%</u>
\$7,068	\$6,981	\$6,714	\$6,331	\$46,914
<u>(7,068)</u>	<u>(6,981)</u>	<u>(6,714)</u>	<u>(6,331)</u>	<u>(46,914)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.32%</u>	<u>0.33%</u>	<u>0.33%</u>	<u>0.33%</u>	<u>2.57%</u>
<u>21.64%</u>	<u>21.58%</u>	<u>21.62%</u>	<u>21.68%</u>	<u>20.74%</u>

**City of Kirtland, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2022

**Changes in Assumptions – OPERS Pension – Traditional Plan**

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2022	2019	2018 and 2017	2016 and prior
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3.00 percent, simple	3.00 percent, simple	3.00 percent, simple	3.00 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.90 percent	7.20 percent	7.50 percent	8.00 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

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

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

2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.50 percent, simple through 2021 then 2.15 percent, simple
2020	1.40 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.00 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.00 percent, simple through 2018 then 2.80 percent, simple 5.50 to 5.00 percent

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

**City of Kirtland, Ohio**  
*Notes to the Required Supplementary Information*  
For the year ended December 31, 2022

Amounts reported beginning in 2017 use pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

**Changes in Assumptions – OPERS Pension – Combined Plan**

	2022	2019	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3.00 percent, simple	3.00 percent, simple	3.00 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.90 percent	7.20 percent	7.50 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

For 2022, 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

**Changes in Assumptions – OP&F Pension**

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

**City of Kirtland, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2022*

	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.00 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.50 percent	4.25 percent to 11.00 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.50 percent
Cost of Living Adjustments	2.20 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent	3.00 percent simple; 2.60 percent simple for increases based on the lesser of the increase in CPI and 3.00 percent

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

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

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

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

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

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



**City of Kirtland, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2022*

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**Changes in Assumptions – OPERS OPEB**

Wage Inflation:	
2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2022	5.50 percent, initial 3.50 percent, ultimate in 2034
2021	8.50 percent, initial 3.50 percent, ultimate in 2035
2020	10.50 percent, initial 3.50 percent, ultimate in 2030
2019	10.00 percent, initial 3.25 percent, ultimate in 2029
2018	7.50 percent, initial 3.25 percent, ultimate in 2028

**Changes in Assumptions – OP&F OPEB**

Blended Discount Rate:	
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

**City of Kirtland, Ohio**  
*Notes to the Required Supplementary Information*  
*For the year ended December 31, 2022*

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**Changes in Benefit Terms – OPERS OPEB**

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

**Changes in Benefit Terms – OP&F OPEB**

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



**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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards), the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kirtland, Lake County, Ohio (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 3, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

October 3, 2023

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF KIRTLAND**

**LAKE COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 11/9/2023**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)