



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF KIRTLAND
LAKE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Kirtland, Lake County, Ohio (the City) as of and for the years ended December 31, 1999 and December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Kirtland, Lake County, as of December 31, 1999 and December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

As described in Note 2 to the general-purpose financial statements, in 1998 the City changed its method of accounting for investments and the deferred compensation plan.

City of Kirtland
Lake County
Report of Independent Accountants
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 15, 2000

City of Kirtland
Lake County
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999

| | GOVERNMENTAL FUND TYPES | | | | PROPRIETARY FUND TYPE | FIDUCIARY FUND TYPE | ACCOUNT GROUPS | | Totals (Memorandum Only) 1999 |
|---|----------------------------|-----------------------------|--------------------------|------------------------------|--------------------------|------------------------|----------------------------|-------------------------------------|-------------------------------------|
| | General Fund | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Enterprise Fund | Agency Funds | General Fixed Assets | General Long-Term Obligations | |
| ASSETS AND OTHER DEBITS | | | | | | | | | |
| Assets: | | | | | | | | | |
| Cash and Cash Equivalents | \$ 664,016 | \$ 199,887 | \$ - | \$ 117,300 | \$ 130,112 | \$ 340,431 | \$ - | \$ - | \$ 1,451,746 |
| Receivables (net of allowance for doubtful accounts): | | | | | | | | | |
| Taxes | 878,283 | 769,312 | - | - | - | - | - | - | 1,647,595 |
| Accounts | 1,518 | - | - | - | 964 | - | - | - | 2,482 |
| Due from Other Governments | 39,905 | 14,619 | - | - | - | - | - | - | 54,524 |
| Inventory of Supplies at Cost | 73,600 | - | - | - | - | - | - | - | 73,600 |
| Prepaid Items | 495 | - | - | - | - | - | - | - | 495 |
| Fixed Assets, (Net where applicable of Accumulated Depreciation) | - | - | - | - | 372,791 | - | 8,038,604 | - | 8,411,395 |
| Other Assets: | | | | | | | | | |
| Amount to be Provided for General Long-term Obligations | - | - | - | - | - | - | - | 3,104,082 | 3,104,082 |
| Total Assets and Other Debits | \$ 1,657,817 | \$ 983,818 | \$ - | \$ 117,300 | \$ 503,867 | \$ 340,431 | \$ 8,038,604 | \$ 3,104,082 | \$ 14,745,919 |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts Payable | \$ 97,563 | \$ 36,068 | \$ - | \$ - | \$ 2,756 | \$ - | \$ - | \$ - | \$ 136,387 |
| Accrued Wages and Benefits | 222,835 | - | - | - | 1,008 | - | - | - | 223,843 |
| Accrued Interest Payable | - | - | - | - | 640 | - | - | - | 640 |
| Due to Others | - | - | - | - | - | 340,431 | - | - | 340,431 |
| Deferred Revenue | 533,858 | 769,312 | - | - | - | - | - | - | 1,303,170 |
| Compensated Absences Payable | - | - | - | - | - | - | 48,800 | - | 48,800 |
| General Obligation Bonds Payable | - | - | - | - | 128,338 | - | - | 2,743,120 | 2,871,458 |
| OPWC Loans | - | - | - | - | - | - | - | 312,162 | 312,162 |
| Total Liabilities | 854,256 | 805,380 | - | - | 132,742 | 340,431 | - | 3,104,082 | 5,236,891 |
| Equity and Other Credits: | | | | | | | | | |
| Investment in General Fixed Assets | - | - | - | - | - | - | 8,038,604 | - | 8,038,604 |
| Retained Earnings | - | - | - | - | 371,125 | - | - | - | 371,125 |
| Fund Balance: | | | | | | | | | |
| Reserve for Inventory | 73,600 | - | - | - | - | - | - | - | 73,600 |
| Reserve for Prepaid Items | 495 | - | - | - | - | - | - | - | 495 |
| Unreserved: | | | | | | | | | |
| Undesignated | 729,466 | 178,438 | - | 117,300 | - | - | - | - | 1,025,204 |
| Total Fund Equity | 803,561 | 178,438 | - | 117,300 | 371,125 | - | 8,038,604 | - | 9,509,028 |
| Total Liabilities, Equity and Other Credits | \$ 1,657,817 | \$ 983,818 | \$ - | \$ 117,300 | \$ 503,867 | \$ 340,431 | \$ 8,038,604 | \$ 3,104,082 | \$ 14,745,919 |

The notes to the general purpose financial statements are an integral part of this statement.

City of Kirtland
Lake County
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1998

| | GOVERNMENTAL FUND TYPES | | | PROPRIETARY FUND TYPE | FIDUCIARY FUND TYPE | ACCOUNT GROUPS | | Totals (Memorandum Only) 1998 |
|---|----------------------------|-----------------------------|--------------------------|--------------------------|------------------------|----------------------------|-------------------------------------|-------------------------------------|
| | General Fund | Special Revenue Funds | Debt Service Funds | Enterprise Fund | Agency Funds | General Fixed Assets | General Long-Term Obligations | |
| ASSETS AND OTHER DEBITS | | | | | | | | |
| Assets: | | | | | | | | |
| Cash and Cash Equivalents | \$ 661,714 | \$ 189,964 | \$ - | \$ 121,560 | \$ 339,053 | \$ - | \$ - | \$ 1,312,291 |
| Receivables (net of allowance for doubtful accounts): | | | | | | | | |
| Taxes | 802,897 | 747,082 | - | - | - | - | - | 1,549,979 |
| Accounts | - | - | - | 1,942 | - | - | - | 1,942 |
| Due from Other Governments | 40,702 | 17,814 | - | - | - | - | - | 58,516 |
| Inventory of Supplies at Cost | 36,700 | - | - | - | - | - | - | 36,700 |
| Prepaid Items | 410 | - | - | - | - | - | - | 410 |
| Fixed Assets, (Net where applicable of Accumulated Depreciation) | - | - | - | 384,943 | - | 7,801,659 | - | 8,186,602 |
| Other Assets: | | | | | | | | |
| Amount to be Provided for General Long-term Obligations | - | - | - | - | - | - | 3,268,917 | 3,268,917 |
| Total Assets and Other Debits | \$ 1,542,423 | \$ 954,860 | \$ - | \$ 508,445 | \$ 339,053 | \$ 7,801,659 | \$ 3,268,917 | \$ 14,415,357 |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts Payable | \$ 31,202 | \$ 84,152 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 115,354 |
| Accrued Wages and Benefits | 199,656 | - | - | 1,140 | - | - | - | 200,796 |
| Accrued Interest Payable | - | - | - | 849 | - | - | - | 849 |
| Due to Others | - | - | - | - | 339,053 | - | - | 339,053 |
| Deferred Revenue | 484,927 | 747,082 | - | - | - | - | - | 1,232,009 |
| Compensated Absences Payable | - | - | - | - | - | - | 40,963 | 40,963 |
| General Obligation Bonds Payable | - | - | - | 137,279 | - | - | 2,841,770 | 2,979,049 |
| OPWC Loans | - | - | - | - | - | - | 386,184 | 386,184 |
| Total Liabilities | 715,785 | 831,234 | - | 139,268 | 339,053 | - | 3,268,917 | 5,294,257 |
| Equity and Other Credits: | | | | | | | | |
| Investment in General Fixed Assets | - | - | - | - | - | 7,801,659 | - | 7,801,659 |
| Retained Earnings | - | - | - | 369,177 | - | - | - | 369,177 |
| Fund Balance: | | | | | | | | |
| Reserve for Inventory | 36,700 | - | - | - | - | - | - | 36,700 |
| Reserve for Prepaid Items | 410 | - | - | - | - | - | - | 410 |
| Unreserved: | | | | | | | | |
| Undesignated | 789,528 | 123,626 | - | - | - | - | - | 913,154 |
| Total Fund Equity | 826,638 | 123,626 | - | 369,177 | - | 7,801,659 | - | 9,121,100 |
| Total Liabilities, Equity and Other Credits | \$ 1,542,423 | \$ 954,860 | \$ - | \$ 508,445 | \$ 339,053 | \$ 7,801,659 | \$ 3,268,917 | \$ 14,415,357 |

The notes to the general purpose financial statements are an integral part of this statement.

City of Kirtland
Lake County
Combined Statement of Revenues,
Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 1999

| REVENUES | General Fund | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Totals (Memorandum Only) 1999 |
|---|-------------------|-----------------------------|--------------------------|------------------------------|-------------------------------------|
| Property Taxes | \$ 479,857 | \$ 718,213 | \$ - | \$ - | \$ 1,198,070 |
| Municipal Income Taxes | 1,900,907 | - | - | - | 1,900,907 |
| Other Local Taxes | 700 | - | - | - | 700 |
| Intergovernmental | 631,804 | 324,364 | - | - | 956,168 |
| Charges for Services | 126,112 | - | - | - | 126,112 |
| Fines, Licenses & Permits | 38,769 | 626 | - | - | 39,395 |
| Investment Earnings | 65,388 | 55 | - | - | 65,443 |
| All Other Revenues | 147,387 | 2,000 | - | - | 149,387 |
| Total Revenues | 3,390,924 | 1,045,258 | - | - | 4,436,182 |
| EXPENDITURES | | | | | |
| Programs: | | | | | |
| Security of Persons and Property | 1,041,572 | 600,000 | - | - | 1,641,572 |
| Leisure Time Activities | 1,090 | 96,285 | - | - | 97,375 |
| Community Environment | 35,346 | 6,000 | - | - | 41,346 |
| Transportation | 628,670 | 239,801 | - | - | 868,471 |
| General Government | 815,657 | - | - | - | 815,657 |
| Public Health | 48,649 | - | - | - | 48,649 |
| Capital Outlay | 415,578 | 48,360 | - | - | 463,938 |
| Debt Service: | | | | | - |
| Principal Retirement | - | - | 172,672 | - | 172,672 |
| Interest and Fiscal Charges | - | - | 137,467 | - | 137,467 |
| Total Expenditures | 2,986,562 | 990,446 | 310,139 | - | 4,287,147 |
| Excess of Revenues Over (Under) Expenditures | 404,362 | 54,812 | (310,139) | - | 149,035 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating Transfers - In | - | - | 310,139 | 117,300 | 427,439 |
| Operating Transfers - Out | (427,439) | - | - | - | (427,439) |
| Total Other Financing Sources (Uses) | (427,439) | - | 310,139 | 117,300 | - |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | (23,077) | 54,812 | - | 117,300 | 149,035 |
| Fund Balances (Deficits) at Beginning of Year | 826,638 | 123,626 | - | - | 950,264 |
| Fund Balances (Deficits) at End of Year | <u>\$ 803,561</u> | <u>\$ 178,438</u> | <u>\$ -</u> | <u>\$ 117,300</u> | <u>\$ 1,099,299</u> |

The notes to the general purpose financial statements are an integral part of this statement.

City of Kirtland
 Lake County
 Combined Statement of Revenues,
 Expenditures, and Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 1998

| <u>REVENUES</u> | General Fund | Special Revenue Funds | Debt Service Funds | Totals (Memorandum Only) 1998 |
|---|-------------------|-----------------------------|--------------------------|-------------------------------------|
| Property Taxes | \$ 427,247 | \$ 736,364 | \$ - | \$ 1,163,611 |
| Municipal Income Taxes | 1,720,898 | - | - | 1,720,898 |
| Other Local Taxes | 271 | - | - | 271 |
| Intergovernmental | 661,356 | 340,839 | - | 1,002,195 |
| Charges for Services | 107,694 | - | - | 107,694 |
| Fines, Licenses & Permits | 53,110 | 559 | - | 53,669 |
| Investment Earnings | 63,076 | 6,368 | - | 69,444 |
| All Other Revenues | 175,315 | 4,725 | - | 180,040 |
| Total Revenues | <u>3,208,967</u> | <u>1,088,855</u> | <u>-</u> | <u>4,297,822</u> |
| <u>EXPENDITURES</u> | | | | |
| Programs: | | | | |
| Security of Persons and Property | 1,006,380 | 722,665 | - | 1,729,045 |
| Leisure Time Activities | 80,073 | 15,216 | - | 95,289 |
| Community Environment | 18,035 | 14,000 | - | 32,035 |
| Transportation | 456,906 | 183,039 | - | 639,945 |
| General Government | 733,858 | - | - | 733,858 |
| Public Health | 45,750 | - | - | 45,750 |
| Capital Outlay | 289,190 | 322,617 | - | 611,807 |
| Debt Service: | | | | |
| Principal Retirement | - | - | 238,892 | 238,892 |
| Interest and Fiscal Charges | - | - | 94,508 | 94,508 |
| Refunded Bond Issuance Cost | - | - | 109,441 | 109,441 |
| Total Expenditures | <u>2,630,192</u> | <u>1,257,537</u> | <u>442,841</u> | <u>4,330,570</u> |
| Excess of Revenues Over (Under) Expenditures | 578,775 | (168,682) | (442,841) | (32,748) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Proceeds of Refunding Bonds | - | - | 2,697,687 | 2,697,687 |
| Operating Transfers - In | - | - | 324,754 | 324,754 |
| Operating Transfers - Out | (324,754) | - | - | (324,754) |
| Payment to Refunding Bond Escrow Agent | - | - | (2,579,600) | (2,579,600) |
| Total Other Financing Sources (Uses) | <u>(324,754)</u> | <u>-</u> | <u>442,841</u> | <u>118,087</u> |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | 254,021 | (168,682) | - | 85,339 |
| Fund Balances (Deficits) at Beginning of Year | <u>572,617</u> | <u>292,308</u> | <u>-</u> | <u>864,925</u> |
| Fund Balances (Deficits) at End of Year | <u>\$ 826,638</u> | <u>\$ 123,626</u> | <u>\$ -</u> | <u>\$ 950,264</u> |

The notes to the general purpose financial statements are an integral part of this statement.

City of Kirtland
Lake County

Combined Statement of Revenues,
Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
For the Year Ended December 31, 1999

| REVENUES: | GENERAL FUND | | | SPECIAL REVENUE FUNDS | | | DEBT SERVICE FUND | | | CAPITAL PROJECTS FUNDS | | | TOTALS - 1999 (MEMORANDUM ONLY) | | |
|---|-------------------|-------------------|----------------------------------|-----------------------|-------------------|----------------------------------|-------------------|----------------|----------------------------------|------------------------|-------------------|----------------------------------|------------------------------------|-------------------|----------------------------------|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Property Taxes | \$ 426,862 | \$ 479,857 | \$ 52,995 | \$ 729,559 | \$ 718,213 | \$ (11,346) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,156,421 | \$ 1,198,070 | \$ 41,649 |
| Municipal Income Taxes | 1,800,000 | 1,874,452 | 74,452 | - | - | - | - | - | - | - | - | - | 1,800,000 | 1,874,452 | 74,452 |
| Other Local Taxes | - | 700 | 700 | - | - | - | - | - | - | - | - | - | - | 700 | 700 |
| Intergovernmental Taxes | 580,000 | 632,117 | 52,117 | 715,100 | 327,619 | (387,481) | 1,000,400 | - | (1,000,400) | - | - | - | 2,295,500 | 959,736 | (1,335,764) |
| Charges for Services | 77,800 | 124,594 | 46,794 | - | - | - | - | - | - | - | - | - | 77,800 | 124,594 | 46,794 |
| Fines, Licenses & Permits | 40,000 | 39,253 | (747) | - | 566 | 566 | - | - | - | - | - | - | 40,000 | 39,819 | (181) |
| Investment Earnings | 60,000 | 65,388 | 5,388 | 70 | 55 | (15) | - | - | - | - | - | - | 60,070 | 65,443 | 5,373 |
| All Other Revenues | 84,826 | 147,387 | 62,561 | - | 2,000 | 2,000 | - | - | - | - | - | - | 84,826 | 149,387 | 64,561 |
| Total Revenues | 3,069,488 | 3,363,748 | 294,260 | 1,444,729 | 1,048,453 | (396,276) | - | - | (1,000,400) | - | - | (1,000,400) | 5,514,617 | 4,412,201 | (1,102,416) |
| EXPENDITURES: | | | | | | | | | | | | | | | |
| Programs: | | | | | | | | | | | | | | | |
| Security of Persons and Property | 1,105,412 | 1,048,649 | 56,763 | 601,000 | 600,000 | 1,000 | - | - | - | - | - | - | 1,706,412 | 1,648,649 | 57,763 |
| Leisure Time Activities | - | 6,155 | (6,155) | 98,790 | 97,308 | 1,482 | - | - | - | - | - | - | 98,790 | 103,463 | (4,673) |
| Community Environment | 47,300 | 35,601 | 11,699 | 6,000 | 6,000 | - | - | - | - | - | - | - | 53,300 | 41,601 | 11,699 |
| Transportation | 724,281 | 643,870 | 80,411 | 240,000 | 239,801 | 199 | - | - | - | - | - | - | 964,281 | 819,465 | 144,816 |
| General Government | 829,985 | 819,465 | 10,520 | - | - | - | - | - | - | - | - | - | 829,985 | 819,465 | 10,520 |
| Public Health | 49,965 | 48,649 | 1,316 | - | - | - | - | - | - | - | - | - | 49,965 | 48,649 | 1,316 |
| Capital Outlay | 419,051 | 429,181 | (10,130) | 327,700 | 131,489 | 196,211 | - | - | - | - | - | - | 1,946,751 | 560,670 | 1,386,081 |
| Debt Service: | | | | | | | | | | | | | | | |
| Principal Retirement | - | - | - | - | - | - | 184,022 | 184,022 | - | - | - | - | 184,022 | 184,022 | - |
| Interest and Fiscal Charges | - | - | - | - | - | - | 152,845 | 145,205 | 7,640 | - | - | - | 152,845 | 145,205 | 7,640 |
| Total Expenditures | 3,175,994 | 3,031,570 | 144,424 | 1,273,490 | 1,074,598 | 198,892 | 336,867 | 329,227 | 7,640 | - | - | (1,200,000) | 5,986,351 | 4,435,395 | 1,550,956 |
| Excess of Revenues Over (Under) Expenditures | (106,506) | 332,178 | 438,684 | 171,239 | (26,145) | (197,384) | (336,867) | (329,227) | 7,640 | (199,600) | - | 199,600 | (471,734) | (23,194) | 448,540 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | | | | | |
| Operating Transfers - In | - | (427,439) | 9,056 | - | - | - | 350,000 | 329,227 | (20,773) | - | - | - | 350,000 | 446,527 | 96,527 |
| Operating Transfers - Out | (436,495) | (427,439) | - | - | - | - | - | - | - | - | - | - | (436,495) | (427,439) | - |
| Total Other Financing Sources (Uses) | (436,495) | (427,439) | 9,056 | - | - | - | 350,000 | 329,227 | (20,773) | - | - | - | (86,495) | 19,088 | 105,583 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | (543,001) | (95,261) | 447,740 | 171,239 | (26,145) | (197,384) | 13,133 | - | (13,133) | (199,600) | 117,300 | 316,900 | (558,229) | (4,106) | 554,123 |
| Fund Balances (Deficits) at Beginning of Year | 630,512 | 630,512 | - | 105,816 | 105,816 | - | - | - | - | - | - | - | 736,328 | 736,328 | - |
| Prior Year Encumbrances | 31,202 | 31,202 | - | 84,152 | 84,152 | - | - | - | - | - | - | - | 115,354 | 115,354 | - |
| Fund Balances (Deficits) at End of Year | \$ 118,713 | \$ 566,453 | \$ 447,740 | \$ 361,207 | \$ 163,823 | \$ (197,384) | \$ 13,133 | \$ - | \$ (13,133) | \$ (199,600) | \$ 117,300 | \$ 316,900 | \$ 293,453 | \$ 847,576 | \$ 554,123 |

The notes to the general purpose financial statements are an integral part of this statement.

City of Kirtland
Lake County
Combined Statement of Revenues,
Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
For the Year Ended December 31, 1998

| REVENUES: | GENERAL FUND | | | SPECIAL REVENUE FUNDS | | | DEBT SERVICE FUND | | | TOTALS - 1998 (MEMORANDUM ONLY) | | |
|---|-------------------|-------------------|--|-----------------------|-------------------|--|-------------------|----------------|--|------------------------------------|-------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Property Taxes | \$ 414,131 | \$ 427,247 | \$ 13,116 | \$ 711,315 | \$ 736,364 | \$ 25,049 | \$ - | \$ - | \$ 1,125,446 | \$ 1,163,611 | \$ 38,165 | |
| Municipal Income Taxes | 1,600,000 | 1,715,970 | 115,970 | - | - | - | - | - | 1,600,000 | 1,715,970 | 115,970 | |
| Other Local Taxes | 300 | 271 | (29) | - | - | - | - | - | 300 | 271 | (29) | |
| Intergovernmental Taxes | 425,000 | 655,009 | 230,009 | 317,598 | 339,511 | 21,913 | - | - | 742,598 | 994,520 | 251,922 | |
| Charges for Services | 108,500 | 107,694 | (806) | - | - | - | - | - | 108,500 | 107,694 | (806) | |
| Fines, Licenses & Permits | 35,800 | 51,126 | 15,326 | 500 | 619 | 119 | - | - | 36,300 | 51,745 | 15,445 | |
| Investment Earnings | 50,000 | 63,076 | 13,076 | 6,300 | 6,368 | 68 | - | - | 56,300 | 69,444 | 13,144 | |
| All Other Revenues | 280,400 | 175,315 | (105,085) | 2,700 | 4,725 | 2,025 | - | - | 283,100 | 180,040 | (103,060) | |
| Total Revenues | <u>2,914,131</u> | <u>3,195,708</u> | <u>281,577</u> | <u>1,038,413</u> | <u>1,087,587</u> | <u>49,174</u> | <u>-</u> | <u>-</u> | <u>3,952,544</u> | <u>4,283,295</u> | <u>330,751</u> | |
| EXPENDITURES: | | | | | | | | | | | | |
| Programs: | | | | | | | | | | | | |
| Security of Persons and Property | 1,007,455 | 994,683 | 12,772 | 725,050 | 722,715 | 2,335 | - | - | 1,732,505 | 1,717,398 | 15,107 | |
| Leisure Time Activities | 89,400 | 85,380 | 4,020 | 16,000 | 15,216 | 784 | - | - | 105,400 | 100,596 | 4,804 | |
| Community Environment | 21,200 | 17,407 | 3,793 | 14,000 | 14,000 | - | - | - | 35,200 | 31,407 | 3,793 | |
| Transportation | 459,604 | 461,011 | (1,407) | 183,480 | 183,119 | 361 | - | - | 643,084 | 644,130 | (1,046) | |
| General Government | 828,450 | 749,079 | 79,371 | - | - | - | - | - | 828,450 | 749,079 | 79,371 | |
| Public Health | 46,750 | 46,370 | 380 | - | - | - | - | - | 46,750 | 46,370 | 380 | |
| Capital Outlay | 334,607 | 398,835 | (64,228) | 323,150 | 322,617 | 533 | - | - | 657,757 | 721,452 | (63,695) | |
| Debt Service: | | | | | | | | | | | | |
| Principal Retirement | - | - | - | - | - | - | 254,022 | 254,022 | - | - | - | |
| Interest and Fiscal Charges | - | - | - | - | - | - | 100,793 | 99,798 | 100,793 | 99,798 | 995 | |
| Refunded Bond Issuance Cost | - | - | - | - | - | - | - | 114,571 | - | 114,571 | (114,571) | |
| Total Expenditures | <u>2,787,466</u> | <u>2,752,765</u> | <u>34,701</u> | <u>1,261,680</u> | <u>1,257,667</u> | <u>4,013</u> | <u>354,815</u> | <u>468,391</u> | <u>4,403,961</u> | <u>4,478,823</u> | <u>(74,862)</u> | |
| Excess of Revenues Over (Under) Expenditures | 126,665 | 442,943 | 316,278 | (223,267) | (170,080) | 53,187 | (354,815) | (468,391) | (451,417) | (195,528) | 255,889 | |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | | |
| Proceeds of Refunding of Bonds | - | - | - | - | - | - | - | - | - | - | - | |
| Payment for Refunding Bond Escrow Agent | - | - | - | - | - | - | - | 2,851,598 | - | 2,851,598 | 2,851,598 | |
| Operating Transfers - In | - | - | - | - | - | - | - | (2,726,850) | - | (2,726,850) | (2,726,850) | |
| Operating Transfers - Out | (434,710) | (324,754) | 109,956 | - | - | - | 354,815 | 343,643 | (434,710) | (324,754) | 109,956 | |
| Total Other Financing Sources (Uses) | <u>(434,710)</u> | <u>(324,754)</u> | <u>109,956</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>354,815</u> | <u>468,391</u> | <u>(79,895)</u> | <u>143,637</u> | <u>223,532</u> | |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | <u>(308,045)</u> | <u>118,189</u> | <u>426,234</u> | <u>(223,267)</u> | <u>(170,080)</u> | <u>53,187</u> | <u>-</u> | <u>-</u> | <u>(531,312)</u> | <u>(51,891)</u> | <u>479,421</u> | |
| Fund Balances (Deficits) at Beginning of Year | 369,742 | 369,742 | - | 275,766 | 275,766 | - | - | - | 645,508 | 645,508 | - | |
| Prior Year Encumbrances | 142,581 | 142,581 | - | 130 | 130 | - | - | - | 142,711 | 142,711 | - | |
| Fund Balances (Deficits) at End of Year | <u>\$ 204,278</u> | <u>\$ 630,512</u> | <u>\$ 426,234</u> | <u>\$ 52,629</u> | <u>\$ 105,816</u> | <u>\$ 53,187</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 256,907</u> | <u>\$ 736,328</u> | <u>\$ 479,421</u> | |

The notes to the general purpose financial statements are an integral part of this statement.

City of Kirtland
 Lake County
 Statement of Revenues, Expenses,
 and Changes in Retained Earnings
 Proprietary Fund
 For the Year Ended December 31, 1999

| OPERATING REVENUES: | 1999 |
|--|------------|
| Charges for Services | \$ 75,258 |
| Total Operating Revenues | 75,258 |
| OPERATING EXPENSES: | |
| Personal Services | 13,351 |
| Materials and Supplies | 36,796 |
| Depreciation | 12,152 |
| Capital Expenses | 1,073 |
| Total Operating Expenses | 63,372 |
| Operating Income (Loss) | 11,886 |
| NON-OPERATING EXPENSES: | |
| Interest and Fiscal Charges | (9,938) |
| Total Non-operating Expenses | (9,938) |
| NET INCOME (LOSS) | 1,948 |
| Retained Earnings at Beginning of Year | 369,177 |
| Retained Earnings at End of Year | \$ 371,125 |

The notes to the general purpose financial statements are an integral part of this statement.

City of Kirtland
 Lake County
 Statement of Revenues, Expenses,
 and Changes in Retained Earnings
 Proprietary Fund
 For the Year Ended December 31, 1998

| OPERATING REVENUES: | 1998 |
|--|------------|
| Charges for Services | \$ 75,077 |
| Total Operating Revenues | 75,077 |
| OPERATING EXPENSES: | |
| Personal Services | 13,174 |
| Materials and Supplies | 34,282 |
| Depreciation | 12,152 |
| Total Operating Expenses | 59,608 |
| Operating Income (Loss) | 15,469 |
| NON-OPERATING EXPENSES: | |
| Interest and Fiscal Charges | (6,233) |
| Total Non-operating Expenses | (6,233) |
| NET INCOME (LOSS) | 9,236 |
| Retained Earnings at Beginning of Year | 359,941 |
| Retained Earnings at End of Year | \$ 369,177 |

The notes to the general purpose financial statements are an integral part of this statement.

City of Kirtland
 Lake County
 Statement of Cash Flows
 Proprietary Fund
 For the Year Ended December 31, 1999

| Cash Flows from Operating Activities | 1999 |
|--|------------|
| Cash Received from Customers | \$ 76,236 |
| Cash Payments to Employees | (13,483) |
| Cash Payments for Materials and Supplies | (35,113) |
| Net Cash Provided (Used) by Operating Activities | 27,640 |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Principal Paid on Bonds | (11,350) |
| Interest Paid on Bonds | (7,738) |
| Net Cash Used for Capital and Related Financing Activities | (19,088) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 8,552 |
| Cash and Cash Equivalents at Beginning of Year | 121,560 |
| Cash and Cash Equivalents at End of Year | \$ 130,112 |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u> | |
| Operating Income (Loss) | \$ 11,886 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities | |
| Depeciation Expense | 12,152 |
| (Increase) Decrease in Accounts Receivable | 978 |
| Increase (Decrease) in Accounts Payable | 2,756 |
| Increase (Decrease) in Accrued Wages | (132) |
| Total Adjustments | 15,754 |
| Net Cash Provided (Used) by Operating Activities | \$ 27,640 |

The notes to the general purpose financial statements are an integral part of this statement.

City of Kirtland
Lake County
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 1998

| Cash Flows from Operating Activities | 1998 |
|--|------------|
| Cash Received from Customers | \$ 74,313 |
| Cash Payments to Employees | (13,174) |
| Cash Payments for Materials and Supplies | (34,932) |
| Net Cash Provided (Used) by Operating Activities | 26,207 |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Principal Paid on Bonds | (12,636) |
| Interest Paid on Bonds | (6,253) |
| Net Cash Used for Capital and Related Financing Activities | (18,889) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 7,318 |
| Cash and Cash Equivalents at Beginning of Year | 114,242 |
| Cash and Cash Equivalents at End of Year | \$ 121,560 |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u> | |
| Operating Income (Loss) | \$ 15,469 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities | |
| Depeiciation Expense | 12,152 |
| (Increase) Decrease in Accounts Receivable | (764) |
| Increase (Decrease) in Accounts Payable | (650) |
| Increase (Decrease) in Accrued Wages | - |
| Total Adjustments | 10,738 |
| Net Cash Provided (Used) by Operating Activities | \$ 26,207 |

The City of Kirtland issued general obligation bonds to refund debt issued in 1991. Of the \$ 153,360 proceeds, \$147,250 was deposited immediately into an irrevocable trust for the defeasance of the \$110,000 of the outstanding general obligation bond principal and interest and bond issuance costs of \$ 4,289 were deducted from bond proceeds.

The notes to the general purpose financial statements are an integral part of this statement.

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

NOTE 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The City of Kirtland, Ohio (the City) was incorporated under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Council-Mayor form of government, was adopted in 1971.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the City's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to or impose a financial burden on the City. Based on the foregoing, the reporting entity of the City include the following services: public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. In addition the City owns a wastewater collection system which is reported as an enterprise fund.

Based on the foregoing criteria, the following organizations are not part of the City of Kirtland reporting entity and are excluded from the City's financial statements:

Kirtland City School District - The Kirtland City School District encompasses the City of Kirtland as well as the other surrounding communities of Kirtland Hills and Waite Hill. The voters within the District elect the members of the Board of Education of the School District (Board). The Board is a body politic and corporate, capable of suing, contracting, possessing, acquiring and disposing of real property and issuing its own debt. The Board controls its own operations and budget.

B. Basis of Presentation - Fund Accounting

The financial statements of the City 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.

With respect to proprietary activities, the City has adopted GASB 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units that Use Proprietary Fund Accounting. The City of Kirtland has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principals Board Opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The City uses the following fund types and account groups:

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's governmental fund types:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio, and the limitations of the City Charter.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of financial resources for, and the payment of, general long-term obligation and special assessment long-term debt principal and interest other than that accounted for in the proprietary fund.

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund).

Proprietary Funds

This fund is used to account for the City's ongoing activities that are similar to those found in the private sector. The following is the proprietary fund:

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise fund is accounted for on a "flow of economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e. net assets) is segregated into contributed capital and retained earnings components. The enterprise fund operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Fiduciary Fund

Agency Fund - This fund is used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City maintains an agency fund.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group of accounts is established to account for fixed assets of the City, other than those accounted for in the proprietary fund. The cost of these assets is reflected as an expenditure in the fund paying for the expenditure and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the City except those accounted for in the proprietary fund.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The governmental funds and expendable trust and agency funds follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Revenue considered susceptible to accrual at year-end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, is recorded as revenue when received in cash because it is generally not measurable until actually received.

Special assessment installments, including related accrued interest, which are measurable but not available at December 31 are recorded as deferred revenue. Property taxes measurable as of December 31, 1998 and December 31, 1999, but which are not intended to finance 1998 and 1999 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

D. Budgetary Process

The budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control for each fund is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

1. Tax Budget

By July 20, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the City by September 1st of each year. As part of this certification process the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998 and 1999.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, and may be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. Administrative control is maintained through the establishment of more detailed line-item budgets. During the year, several supplemental appropriation measures were passed. None, however, were significant in amount. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year-end are reported as reservations of fund balances in the accompanying general purpose financial statements. However, encumbrances outstanding at year-end are reported as expenditures in the budgetary basis statement included in the general purpose financial statements. The City did not encumber as required by the Ohio Revised Code.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

| | <u>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u> | | |
|---|--|--------------------------------------|-----------------------------------|
| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> |
| 1998 | | | |
| GAAP Basis (as reported) | 254,021 | (168,682) | - |
| Increase (Decrease): | | | |
| Accrued revenues at December 31, 1998, received during 1999 | (358,672) | (17,814) | - |
| Accrued revenues at December 31, 1997, received during 1998 | 345,413 | 16,546 | - |
| Accrued expenditures at December 31, 1998, paid during 1999 | 193,748 | 84,152 | - |
| Accrued expenditures at December 31, 1997, paid during 1998 | (285,119) | (130) | - |
| Encumbrances at end of year | <u>(31,202)</u> | <u>(84,152)</u> | <u>-</u> |
| Budget Basis | <u>118,189</u> | <u>(170,080)</u> | <u>-</u> |

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

**Excess (Deficiency) of Revenues and Other Sources
Over (Under) Expenditures and Other Uses**

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> |
|---|-------------------------|--------------------------------------|-----------------------------------|---------------------------------------|
| 1999 | | | | |
| GAAP Basis (as reported) | (23,077) | 54,812 | - | 117,300 |
| Increase (Decrease): | | | | |
| Accrued revenues at December 31, 1999, received during 2000 | (385,848) | (14,619) | - | - |
| Accrued revenues at December 31, 1998, received during 1999 | 358,672 | 17,814 | - | - |
| Accrued expenditures at December 31, 1999, paid during 2000 | 246,303 | 36,068 | - | - |
| Accrued expenditures at December 31, 1998, paid during 1999 | (193,748) | (84,152) | - | - |
| Encumbrances at end of year | <u>(97,563)</u> | <u>(36,068)</u> | <u>-</u> | <u>-</u> |
| Budget Basis | <u>(95,261)</u> | <u>(26,145)</u> | <u>-</u> | <u>117,300</u> |

E. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest is presented as cash and cash equivalents: on the combined balance sheet.

During fiscal year 2000, investments were limited to STAROhio (the State Treasury Asset Reserve of Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments with the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio's share price which is the price the investment could be sold on December 31, 1999 and 1998.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered investments.

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

F. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary fund. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and expenses in the proprietary fund when used. Recorded inventories in the General Fund are equally offset by a fund balance reserve, which indicates that they don't constitute available resources even though they are a component of net current assets.

G. Prepaid Items

Prepaid items represent payments made by the City for a maintenance agreement that will benefit periods beyond December 31, 1999 and 1998. Recorded prepaids in governmental fund types are equally offset by the fund balance reserve, which indicates that they don't constitute spendable resources even though they are a component of net assets.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

General fixed asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The City has elected not to record depreciation in the General Fixed Asset Account Group.

2. Property, Plant and Equipment - Proprietary Fund

Property, plant and equipment acquired by the proprietary fund is stated at cost (or estimated historical cost), including interest capitalized during construction, and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Estimated Lives</u> (Years) |
|---|-----------------------------------|
| Machinery, equipment, furniture and fixtures | 3 - 10 |
| Buildings | 15 - 50 |
| Improvements other than buildings | 25 - 50 |

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

I. Long-Term Obligations

Long-Term liabilities are being repaid from the following funds:

| <u>Obligation</u> | <u>Fund</u> |
|---------------------------------------|--|
| General Obligation Bonds -Waste Water | Enterprise Fund |
| General Obligation Bonds - Other | Debt Service Fund (General Obligation Bond Retirement Fund) |

J. Compensated Absences

The City has implemented the provisions of Governmental Accounting Standards Board Statement No. 16 "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is possible that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absence is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remaining amount is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

(1) Operating transfers are reported as other Financing Sources and Uses in the governmental funds, as "Operating transfers-in" by the recipient fund, and "Operating transfers-out" by the disbursing fund.

(2) Residual equity transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 1998 and 1999.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations' external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balance reserves have been established for inventories of supplies and materials, and prepaid items.

N. Total Columns on Combined Financial Statements - Overview

Total columns on the Combined Statements-overview are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

O. 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 2 Change in Accounting Principle and Restatement of Prior Year's Fund Equity

For 1998 the City has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years, are required to be reported at fair value. The implementation of this statement did not result in any changes from the prior year.

The City has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Section 457 Deferred Compensation Plans" for its deferred compensation plan through the State of Ohio Deferred Compensation Board. On September 1, 1998, the State of Ohio Deferred Compensation Board, created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, the balance of the deferred compensation plan is no longer presented as part of the City's financial statements.

NOTE 3 - Accountability

The following funds had appropriations in excess of estimated resources and carryover balances at December 31, 1999 contrary to Section 5705.39, Ohio Revised Code:

| <u>Fund</u> | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Excess</u> |
|------------------------------|--------------------------------|-----------------------|---------------|
| Capital Project Funds | | | |
| Templeview Project | 1,000,400 | 1,200,000 | 199,600 |

The following accounts had expenditures plus encumbrances in excess of appropriations at December 31, 1998 contrary to Section 5705.41, Ohio Revised Code:

| <u>Fund/Function</u> | <u>Appropriation</u> | <u>Expenditure</u> | <u>Excess</u> |
|---|----------------------|--------------------|---------------|
| General Government | | | |
| Transportation | 459,604 | 461,011 | 1,407 |
| Capital Outlay | 334,607 | 398,835 | 64,228 |
| Debt Service | | | |
| Refunded Bond Issuance Cost | 0 | 114,571 | 114,571 |
| Payment for Refunding Bond Escrow Agent | 0 | 2,726,850 | 2,726,850 |

The following accounts had expenditures plus encumbrances in excess of appropriations at December 31, 1999 contrary to Section 5705.41, Ohio Revised Code:

| <u>Fund/Function</u> | <u>Appropriation</u> | <u>Expenditure</u> | <u>Excess</u> |
|---------------------------|----------------------|--------------------|---------------|
| General Government | | | |
| Leisure Time Activities | 0 | 6,155 | 6,155 |
| Capital Outlay | 419,051 | 429,181 | 10,130 |

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

NOTE 4 - Pooled Cash, Cash Equivalents and Investments

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Ohio law requires the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

Bonds, notes and other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest;

Bonds, notes, debentures or other obligations or securities issued by any federal government agency, or any Export-Import Bank of Washington;

Repurchase agreement collateralized by securities enumerated above;

Interim deposits in eligible institutions applying for interim funds;

Bonds and other obligations of the State of Ohio, and

The State Treasury Asset Reserve of Ohio (Star Ohio).

Notwithstanding the foregoing requirements, the City may invest any monies not required to be used for a period of six months in the following classes of investments:

Bonds, notes and other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest;

Discount notes of the Federal National Mortgage Association;

Bonds of the State of Ohio, and

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

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution.

Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Deposits collateralized by a collateral pool are classified as Category 3 per GASB Statement No. 3.

**CITY OF KIRTLAND
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The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized

Investments:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year-end the carrying amount of the City's deposits was \$146,520 in 1998 and \$274,162 in 1999 and the bank balance was \$215,874 in 1999 and \$409,033 in 1999. Federal depository insurance covered \$100,000 of the bank balance in 1998 and \$100,000 of the bank balance in 1999, and all the remaining deposits were classified as category 3.

B. Investments

The City's investments at December 31 are as follows:

| | Carrying Amount | | Market Value | |
|---|--------------------|-------------|-----------------|-------------|
| <u>Non Categorized Investments:</u> | 1998 | 1999 | 1998 | 1999 |
| State Treasury Asset Reserve of Ohio (STAR Ohio) | 1,165,771 | 1,177,584 | 1,165,771 | 1,177,584 |
| Total Investments | \$1,165,771 | \$1,177,584 | \$1,165,771 | \$1,177,584 |

The investment in STAROhio is not categorized because it is not evidenced by securities that exist in physical or bookkeeping entry form. Investments in STAROhio are valued at STAROhio's share price which is the price the investments could be sold for on December 31, 1999 and December 31, 1998.

**CITY OF KIRTLAND
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NOTE 5- Taxes

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected in one calendar year are levied after October 1st of the preceding year on assessed values as of January 1 of that preceding year. Assessed values for real property are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 1997 and equalization adjustments were made in 1997. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Kirtland. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 1998 and December 31, 1999, was \$10.20 per \$1,000 of assessed value. The assessed value upon which the 1998 levy was based was \$158,125,027 and the 1999 levy was based was \$162,986,566. The 1998 amount constitutes \$146,794,480 in real property assessed value, \$8,970,410 in public utility assessed value and \$2,360,137 in tangible personal property assessed value. The 1999 amount constitutes \$151,968,190 in real property assessed value, \$8,710,080 in public utility assessed value and \$2,308,296 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the City's share is .0102% (10.20 mills) of assessed value.

B. Income Tax

The City levies a tax of 1 percent 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 25% of the tax paid to another municipality, up to a limit of 1% of the amount assessed.

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.

NOTE 6 - Receivables

Receivables at December 31, 1998 and December 31, 1999, consisted of taxes, interest, accounts receivable. All receivables other than those offset by deferred revenues are considered collectible in full.

**CITY OF KIRTLAND
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 7 - Operating Transfers

The following are summaries of operating transfers in and out for all funds:

A. 1998

| | Transfers In | Transfers Out |
|------------------------------|-----------------|------------------|
| General Fund | \$ - | \$324,754 |
| Special Revenue Funds: | | |
| Joint Recreation Fund | - | - |
| Debt Service Fund: | | |
| General Bond Retirement Fund | 324,754 | - |
| Totals | \$324,754 | \$324,754 |

B. 1999

| | Transfers In | Transfers Out |
|------------------------------|-----------------|------------------|
| General Fund | \$ - | \$427,439 |
| Debt Service Fund: | | |
| General Obligation Bond Pay. | 117,300 | - |
| Debt Service Fund: | | |
| General Bond Retirement Fund | 310,139 | - |
| Totals | \$427,439 | \$427,439 |

NOTE 8 - Fixed Assets

1998 General Fixed Assets--Summary by category of changes in general fixed assets:

| Category | December 31, 1997 | Additions | Deletions | December 31, 1998 |
|---|----------------------|-----------|-------------|----------------------|
| Land | \$ 623,690 | \$ - | \$ - | \$ 623,690 |
| Buildings, Structures and Improvements | 5,032,184 | - | - | 5,032,184 |
| Machinery and Equipment | 1,824,975 | 469,113 | (148,303) | 2,145,785 |
| Totals | \$7,480,849 | \$469,113 | \$(148,303) | \$7,801,659 |

Proprietary Fixed Assets – Summary by Category at December 31, 1998

| Category | Historical Cost | Accumulated Depreciation | Book Value |
|------------------------------|--------------------|-----------------------------|---------------|
| Waste Water Treatment Plants | \$717,223 | \$(332,280) | \$384,943 |

**CITY OF KIRTLAND
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1999 General Fixed Assets--Summary by category of changes in general fixed assets:

| <u>Category</u> | <u>December 31, 1998</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31, 1999</u> |
|---|------------------------------|------------------|-------------------|------------------------------|
| Land | \$ 623,690 | \$ - | \$ - | \$ 623,690 |
| Buildings, Structures And Improvements | 5,032,184 | 25,806 | - | 5,057,990 |
| Machinery and Equipment | 2,145,785 | 310,968 | (99,829) | 2,356,924 |
| Totals | \$7,801,659 | \$336,774 | \$(99,829) | \$8,038,604 |

Proprietary Fixed Assets – Summary by Category at December 31, 1999

| <u>Category</u> | <u>Historical Cost</u> | <u>Accumulated Depreciation</u> | <u>Book Value</u> |
|------------------------------|----------------------------|-------------------------------------|-----------------------|
| Waste Water Treatment Plants | \$717,223 | \$(344,432) | \$372,791 |

NOTE 9 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All employees of the City, other than non-administrative full-time uniformed police officers and full-time firefighters participate in the Public Employees Retirement System of Ohio ("PERS of Ohio"), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1999, 1998, 1997 and 1996 were \$89,611, \$81,150, \$74,004 and \$69,722, respectively. The full amount has been contributed for 1999, 1998, 1997 and 1996.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio ("PFDPF"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial information and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13 percent in 1998 and 12.5% percent in 1999 for police and 17.5 percent in 1998 and 17 percent in 1999 for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$41,512 and \$76,227 for the year ended December 31, 1999, \$40,506 and \$76,197 for 1998, \$29,679 and \$69,900 for 1997, and \$35,895 and \$73,776 for 1996. The full amount has been contributed for 1999, 1998, 1997 and 1996.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1999, the unfunded liability of the City was \$151,421, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

NOTE 10 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll for employees; 4.2 percent was the portion that was used to fund health care for the year 1999 and 1998.

Benefits were funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$40,253. During 1998, OPEB expenditures made by PERS were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. At December 31, 1998, the total number of benefit recipients eligible for OPEB through PERS was 115,579. The City's actual contributions for 1998 which were used to fund OPEB were \$36,452.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund ("PFDPF") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.5 percent in 1998 and 7 percent in 1999 of covered payroll is applied to the postemployment health care program during 1999. This allocation will be raised to 7.25 percent in 2000. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1999 that were used to fund postretirement benefits were \$62,265 for police and \$104,540 for fire. PFDPF's total health care expense for the year ended December 31, 1998 (the latest information available) were \$78,596,790, which was net of member contributions of \$5,331,515. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters.

The City's actual contributions for 1998 that were used to fund postretirement benefits were \$60,759 for police and \$104,498 for fire. PFDPF's total health care expense for the year ended December 31, 1997 (the latest information available) were \$76,459,832. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1997, was 11,239 for police and 9,025 for firefighters.

**CITY OF KIRTLAND
LAKE COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

NOTE 11 - Other Employee Benefits

Compensated Absences

The City provides a liability for accumulated unpaid vacation, holiday's, and sick leave when earned by employees. Accrued employee benefits for Governmental Funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. The amount decreased from a beginning balance of \$78,249 to the year-end balance of \$40,963 in 1998 while the amount increased from a beginning balance of \$40,963 to the year end balance of \$48,800 in 1999. Upon retirement a City employee is paid 25 percent of sick time available up to 240 hours.

NOTE 12 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 1999 and 1998 the City has contracted with various private carriers for the provision of property damage, general liability, automotive damage, public official's liability, police liability, boiler and machinery damage/loss, and crime and employee dishonesty.

Deductible levels for the various policies have been selected so as to not expose the City to excessive "first dollars" loss in case of a claim. Deductibles range between \$0 and \$1,000 per loss for property damage. In the professional liability areas, no deductible exceeds \$10,000.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

NOTE 13 - Long-Term Obligations

Changes in the long-term obligations of the City during the year ended December 31, 1998, were as follows:

| | <u>Balance Dec. 31, 1997</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance Dec. 31, 1998</u> |
|---|----------------------------------|--------------------|--------------------|----------------------------------|
| Enterprise Debt | | | | |
| General Obligation Bonds | | | | |
| 1991 4.5% to 7.5% Waste Water Improv. | \$150,000 | \$ - | \$120,000 | \$30,000 |
| 1998 4.5% to 5% Waste Water Refunding | - | 153,360 | 5,130 | 148,230 |
| Total Enterprise Debt | <u>\$150,000</u> | <u>\$153,360</u> | <u>\$125,130</u> | <u>\$178,230</u> |
| General Long-term Obligations Account Group | | | | |
| General Obligation Bonds | | | | |
| 1991 4.5% to 7.5% Fire and Civic Center | \$2,630,000 | \$ - | \$2,385,000 | \$245,000 |
| 1998 4.5% to 5% Fire and Civic Center | - | 2,686,640 | 89,870 | 2,596,770 |
| Total General Obligation Bonds | <u>2,630,000</u> | <u>2,686,640</u> | <u>2,474,870</u> | <u>2,841,770</u> |
| OPWC Issue II Loans | | | | |
| GC419 –Road Safety Upgrade | 115,167 | - | 20,939 | 94,228 |
| GC515 –Road Safety Upgrade | 152,360 | - | 23,440 | 128,920 |
| GC701 –Road Safety Upgrade | 192,679 | - | 29,643 | 163,036 |
| Total OPWC Issue II Loans | <u>460,206</u> | <u>-</u> | <u>74,022</u> | <u>386,184</u> |
| Other Long-term Obligations | | | | |
| Compensated Absences | <u>78,249</u> | <u>-</u> | <u>37,286</u> | <u>40,963</u> |
| Total General Long-term Obligations | <u>\$3,168,455</u> | <u>\$2,686,640</u> | <u>\$2,586,178</u> | <u>\$3,268,917</u> |

**CITY OF KIRTLAND
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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Changes in the long-term obligations of the City during the year ended December 31, 1999, were as follows:

| | <u>Balance Dec. 31, 1998</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance Dec. 31, 1999</u> |
|---|----------------------------------|------------------|-------------------|----------------------------------|
| Enterprise Debt | | | | |
| General Obligation Bonds | | | | |
| 1991 4.5% to 7.5% Waste Water Improv. | \$ 30,000 | \$ - | \$10,000 | \$20,000 |
| 1998 4.5% to 5% Waste Water Refunding | <u>148,230</u> | <u>-</u> | <u>1,350</u> | <u>146,880</u> |
| Total Enterprise Debt | <u>\$178,230</u> | <u>\$ -</u> | <u>\$11,350</u> | <u>\$166,880</u> |
| General Long-term Obligations Account Group | | | | |
| General Obligation Bonds | | | | |
| 1991 4.5% to 7.5% Fire and Civic Center | \$ 245,000 | \$ - | \$75,000 | \$170,000 |
| 1998 4.5% to 5% Fire and Civic Center | <u>2,596,770</u> | <u>-</u> | <u>23,650</u> | <u>2,573,120</u> |
| Total General Obligation Bonds | <u>2,841,770</u> | <u>-</u> | <u>98,650</u> | <u>2,743,120</u> |
| OPWC Issue II Loans | | | | |
| GC419 -Road Safety Upgrade | 94,228 | - | 20,939 | 73,289 |
| GC515 -Road Safety Upgrade | 128,920 | - | 23,440 | 105,480 |
| GC701 -Road Safety Upgrade | <u>163,036</u> | <u>-</u> | <u>29,643</u> | <u>133,393</u> |
| Total OPWC Issue II Loans | <u>386,184</u> | <u>-</u> | <u>74,022</u> | <u>312,162</u> |
| Other Long-term Obligations | | | | |
| Compensated Absences | <u>40,963</u> | <u>7,837</u> | <u>-</u> | <u>48,800</u> |
| Total General Long-term Obligations | <u>\$3,268,917</u> | <u>\$ 7,837</u> | <u>\$172,672</u> | <u>\$3,104,082</u> |

Principal and interest requirements to retire long-term obligations at December 31, 1999, are as follows:

| Year | <u>General Obligation Bonds Enterprise Fund</u> | <u>General Obligation Bonds General Obligation</u> | <u>OPWC Loans</u> | <u>Total</u> |
|-------------|---|--|-------------------|---------------------|
| 2000 | \$ 26,991 | \$ 406,029 | \$ 74,022 | \$ 507,042 |
| 2001 | 26,345 | 410,225 | 74,022 | 510,592 |
| 2002 | 14,353 | 251,437 | 74,022 | 339,812 |
| 2003 | 14,305 | 250,605 | 63,552 | 328,462 |
| 2004 | 14,238 | 249,437 | 26,541 | 290,216 |
| 2005 - 2009 | 70,304 | 1,231,616 | - | 1,301,920 |
| 2010 - 2014 | 64,588 | 1,131,505 | - | 1,196,093 |
| 2015 - 2016 | <u>25,853</u> | <u>442,373</u> | <u>-</u> | <u>468,226</u> |
| Totals | <u>\$ 256,977</u> | <u>\$4,373,227</u> | <u>\$ 312,159</u> | <u>\$ 4,942,363</u> |

**CITY OF KIRTLAND
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On May 28, 1998, the City issued \$2,840,000 in general obligation bonds with interest varying from 4.5 percent to 5 percent. Proceeds were used to refund the following bonds:

| | |
|---|-----------|
| General Long-term Obligations Account Group General Obligation Bonds | 2,310,000 |
| Enterprise Debt General Obligation Bonds | 110,000 |

The bonds were sold at a premium of \$1,420. Proceeds of \$2,640,032 (after premium, underwriters fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portions of the various bonds. As a result, these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the general long-term obligations account group and the waste water enterprise fund.

The City decreased its total debt service payments by \$317,934 as a result of the advanced refunding. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$214,716.

The enterprise fund portion of the advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$43,360. This difference, being reported as a deduction from the bond liability in the accompanying financial statements, is being charged to operations through the year 2016 using the straight line method.

Bonds payable in the enterprise fund is made up of the following components:

| | December 31, 1998 | December 31, 1999 |
|---|-------------------|-------------------|
| Outstanding balance of General Obligation Bonds | \$178,230 | \$166,880 |
| Unamortized Accounting Loss | <u>(40,951)</u> | <u>(38,542)</u> |
| Net Bond Payable | <u>\$137,279</u> | <u>\$128,338</u> |

The General Obligation Bond in the enterprise fund will be paid from collections in the enterprise fund. The General Obligation Bonds and the OPWC Loans in the General Long Term Obligation Account Group will be paid by the debt service fund. Compensated absences will be paid from the fund which the employees' salary is paid from.

NOTE 14 - Contingencies

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

To the City Council:

We have audited the financial statements of the City of Kirtland, Lake County, Ohio, (the City) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated November 15, 2000, in which report we noted the City changed its accounting for investments and the deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-20843-001. We also noted immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated November 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated November 15, 2000.

City of Kirtland
Lake County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the City Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 15, 2000

**CITY OF KIRTLAND
LAKE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31 1999**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

| | |
|-------------------------------|--|
| Finding Number 1999-20843-001 | |
|-------------------------------|--|

Ohio Rev. Code Section 5705.41(D), provides that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto the certificate of the fiscal officer. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. Further, contract and orders for expenditures lacking prior certification shall be void.

The City did not initiate purchase orders prior to committing funds in 1999 and 1998. In a number of instances, the certification of the fiscal officer was prepared after the fact and was not approved by the Department Head, Mayor, or Finance Director. In addition, purchase orders that were prepared did not indicate the date certified by the Finance Director. The Finance Director had honored such orders, rather than declaring them null and void.

We recommend that the City develop a formal purchase order system to control the disbursement of funds.



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CITY OF KIRTLAND

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2000**