



Dave Yost • Auditor of State

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Mentor-on-the-Lake
Lake County
5860 Andrews Road
Mentor-on-the-Lake, Ohio 44060

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor-on-the-Lake, Lake County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor-on-the-Lake, Lake County, Ohio, as of December 31, 2017, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, Safety Forces Levy Fund, Police Levy Fund and Fire Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 26, 2018

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The management's discussion and analysis of the City of Mentor-on-the-Lake's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. 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 and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The total net position of the City decreased \$367,682.
- General revenues accounted for \$3,631,939 or 78.53 percent of total governmental activities revenue. Program specific revenues accounted for \$992,714 or 21.47 percent of total governmental activities revenue of \$4,624,653.
- The City had \$4,992,335 in expenses related to governmental activities; \$992,714 of these expenses were offset by program specific charges for services, grants and contributions.
- The City had five major funds consisting of the General Fund, the Safety Forces Levy Fund, the Police Levy Fund, the Fire Levy Fund, and the Stormwater Grants Fund.
- The General Fund had total revenues (including other financing sources) of \$2,286,807 in 2017. This represents an increase of \$19,892 from 2016 revenues. The expenditures (including other financing uses) of the General Fund, which totaled \$2,263,642 in 2017, increased \$188,279 from the same amount in 2016. The net increase in fund balance for the General Fund was \$23,165 or 8.38 percent.
- The Safety Forces Levy Fund had revenues of \$577,118 in 2017, which is a decrease of \$3,689 from 2016 revenues. The expenditures in the Safety Forces Levy Fund totaled \$545,940 in 2017, which decreased \$75,588 from 2016. The net increase in fund balance was \$31,178, resulting in an ending fund balance of \$22,731.
- The Police Levy Fund had revenues of \$416,104, which is an increase of \$1,635 from 2016 revenues. The expenditures totaled \$448,285 in 2017, which increased \$33,474 from 2016 expenditures. The net decrease in fund balance was \$32,181, resulting in an ending fund balance of \$26,524.

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- The Fire Levy Fund had revenues of \$344,180 in 2017, which is an increase of \$14,080 from 2016 revenues. The expenditures totaled \$364,685 in 2017, which increased \$26,442 from 2016 expenditures. The net decrease in fund balance was \$20,505, resulting in an ending fund balance of \$23,326.
- The Stormwater Grants Fund had revenues and other financing sources of \$1,016,427, which is an increase of \$616,427 from 2016 revenues. The expenditures totaled \$997,382 in 2017, which is an increase of \$993,278 from 2016 expenditures. The net increase in fund balance was \$19,045, resulting in an ending fund balance of \$414,941.

The Basic Financial Statements

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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These two statements report the City's net position and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs, and other factors.

Governmental Activities - All of the City's programs and services are reported here, including police, fire and rescue, street maintenance, capital improvements, and general administration. These services are funded primarily by property and income taxes, and intergovernmental revenues including Federal and State grants and other shared revenues.

The City's statement of net position and statement of activities can be found on pages 22-23 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental funds begins on page 13.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the General Fund, the Safety Forces Levy Fund, the Police Levy Fund, the Fire Levy Fund, and the Stormwater Grants Fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 24-34 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are agency funds. The fiduciary fund financial statement can be found on page 35 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 36-85 of this report.

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Government-wide Financial Analysis

The table below provides a summary of the City's net position for 2017 and 2016.

	Net Position	
	<u>2017</u>	<u>2016</u>
ASSETS		
Current and other assets	\$ 3,781,401	\$ 3,697,217
Capital assets, net	9,819,437	9,653,014
Total Assets	<u>13,600,838</u>	<u>13,350,231</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,332,729	1,264,587
Total Deferred Outflows of Resources	<u>1,332,729</u>	<u>1,264,587</u>
 LIABILITIES		
Current liabilities	264,708	274,588
Long-term liabilities		
Due within one year	1,679,006	1,423,614
Due in more than one year:		
Net Pension Liability	4,389,802	3,790,129
Other Amounts	983,017	1,108,010
Total Liabilities	<u>7,316,533</u>	<u>6,596,341</u>
 DEFERRED INFLOWS OF RESOURCES		
Property taxes	1,874,340	1,874,882
Pension	58,099	91,318
Total Deferred Inflows of Resources	<u>1,932,439</u>	<u>1,966,200</u>
 NET POSITION		
Net investment in capital assets	7,840,551	7,823,311
Restricted	431,793	440,485
Unrestricted	(2,587,749)	(2,211,519)
Total Net Position	<u>\$ 5,684,595</u>	<u>\$ 6,052,277</u>

The City has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the standards required by GASB 68, the net pension liability equals the City’s proportionate share of each plan’s collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,684,595. At year-end, unrestricted net position had a deficit of \$2,587,749. A portion of the City's net position, \$431,793, represents resources that are subject to external restriction on how they may be used.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 72.20 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings, furniture, fixtures and equipment, vehicles, and infrastructure. The net investment in capital assets component of net position at December 31, 2017, was \$7,840,551 for governmental activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table below shows the changes in net position for fiscal year 2017 and 2016.

	Changes in Net Position	
	<u>2017</u>	<u>2016</u>
REVENUES		
Program Revenues:		
Charges for services	\$ 383,695	\$ 388,684
Operating grants and contributions	348,092	315,642
Capital grants and contributions	260,927	-
Total Program Revenues	<u>992,714</u>	<u>704,326</u>
General Revenues:		
Property taxes	1,987,381	1,939,047
Municipal Income taxes	1,033,023	942,358
Unrestricted grants and entitlements	509,583	519,887
Investment income	4,558	2,331
Gain on sale of capital assets	6,380	10,893
All other revenues	91,014	44,777
Total General Revenues	<u>3,631,939</u>	<u>3,459,293</u>
Total Revenues	<u>4,624,653</u>	<u>4,163,619</u>
EXPENSES		
Program Expenses:		
General government	794,673	729,154
Security of persons and property	2,816,752	2,785,448
Public health services	68,391	58,660
Transportation	1,185,512	1,084,221
Leisure time activities	31,252	24,251
Other	49,077	1,924
Interest and fiscal charges	46,678	40,164
Total Expenses	<u>4,992,335</u>	<u>4,723,822</u>
Change in Net Position	(367,682)	(560,203)
Net Position - Beginning of Year	<u>6,052,277</u>	<u>6,612,480</u>
Net Position - End of Year	<u>\$ 5,684,595</u>	<u>\$ 6,052,277</u>

Governmental activities' net position decreased \$367,682 in 2017. This decrease is primarily due to the City's expenses outpacing revenues in 2017.

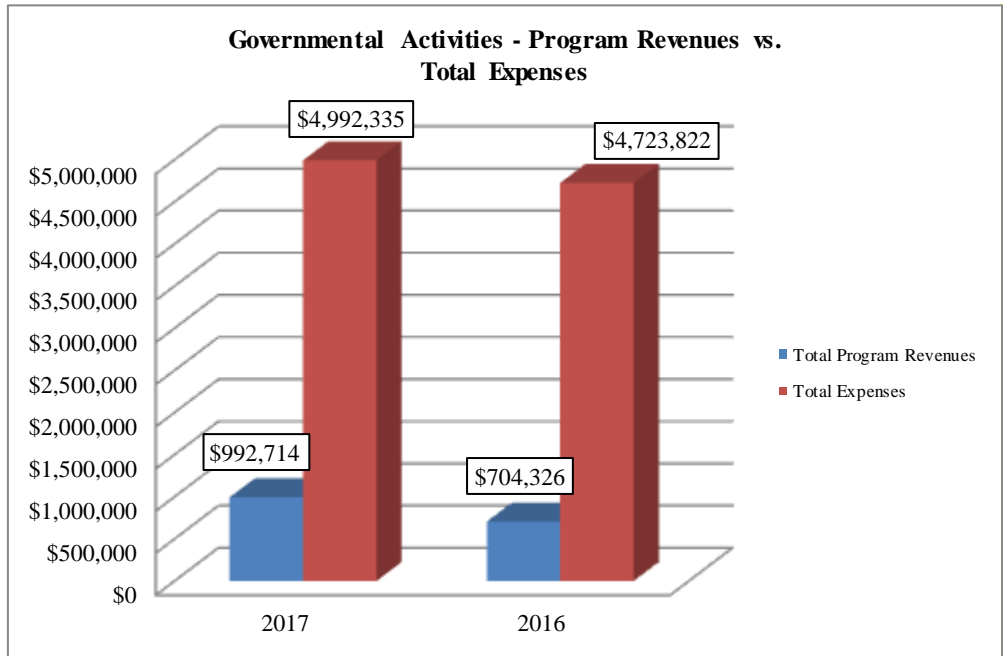
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,816,752, which accounted for 56.42 percent of the total expenses of the City. These expenses were partially funded by \$236,072 in direct charges to users of the services and operating grants and contributions. Transportation expenses totaled \$1,185,512, which accounted for 23.75 percent of the total expenses of the City. For 2017, depreciation expense of \$441,844 was 37.27 percent of the total Transportation expenses. General government expenses totaled \$794,673, which was partially funded by \$154,438 in direct charges to users of the services.

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The state and federal government, along with similar agencies, contributed to the City a total of \$609,019 in operating/capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the operating/capital grants and contributions received, \$584,040 subsidized transportation programs.

General revenues totaled \$3,631,939 and amounted to 78.53 percent of total governmental revenues. These revenues primarily consist of property and municipal income tax revenue of \$3,020,404. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$509,583.

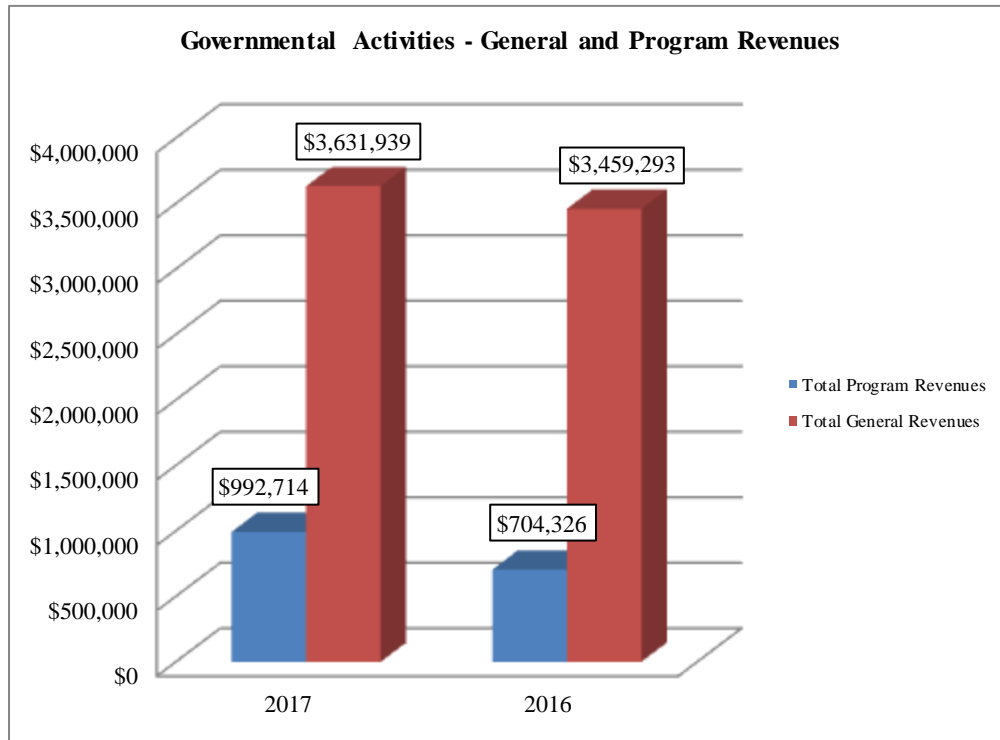
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.



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	Governmental Activities			
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
General government	\$ 794,673	\$ 640,235	\$ 729,154	\$ 593,233
Security of persons and property	2,816,752	2,580,680	2,785,448	2,537,295
Public health services	68,391	68,391	58,660	58,660
Transportation	1,185,512	601,472	1,084,221	768,579
Leisure time activities	31,252	13,088	24,251	19,641
Other	49,077	49,077	1,924	1,924
Interest and fiscal charges	46,678	46,678	40,164	40,164
Total cost of service	\$ 4,992,335	\$ 3,999,621	\$4,723,822	\$ 4,019,496

The City's dependence upon general revenues for governmental activities is apparent, with 72.75 percent of expenses supported through taxes and other general revenues.



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Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year end.

The City's governmental funds (as presented on the balance sheet on pages 24-25) reported a combined fund balance of \$965,664, which is \$32,570 higher than last year's combined fund balance of \$933,094. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2017, for all major and nonmajor governmental funds.

	Fund Balances 12/31/2017	Fund Balances/ (Deficits) 12/31/2016	Increase (Decrease)
Major funds:			
General	\$ 299,688	\$ 276,523	\$ 23,165
Safety forces levy	22,731	(8,447)	31,178
Police levy	26,524	58,705	(32,181)
Fire levy	23,326	43,831	(20,505)
Stormwater grants	414,941	395,896	19,045
Other nonmajor governmental funds	178,454	166,586	11,868
Total	<u>\$ 965,664</u>	<u>\$ 933,094</u>	<u>\$ 32,570</u>

General Fund

The City's General Fund balance increased \$23,165, primarily due to increase in revenues and the continuation of the trend of revenues exceeding expenditures. The table that follows assists in illustrating the revenues of the General Fund.

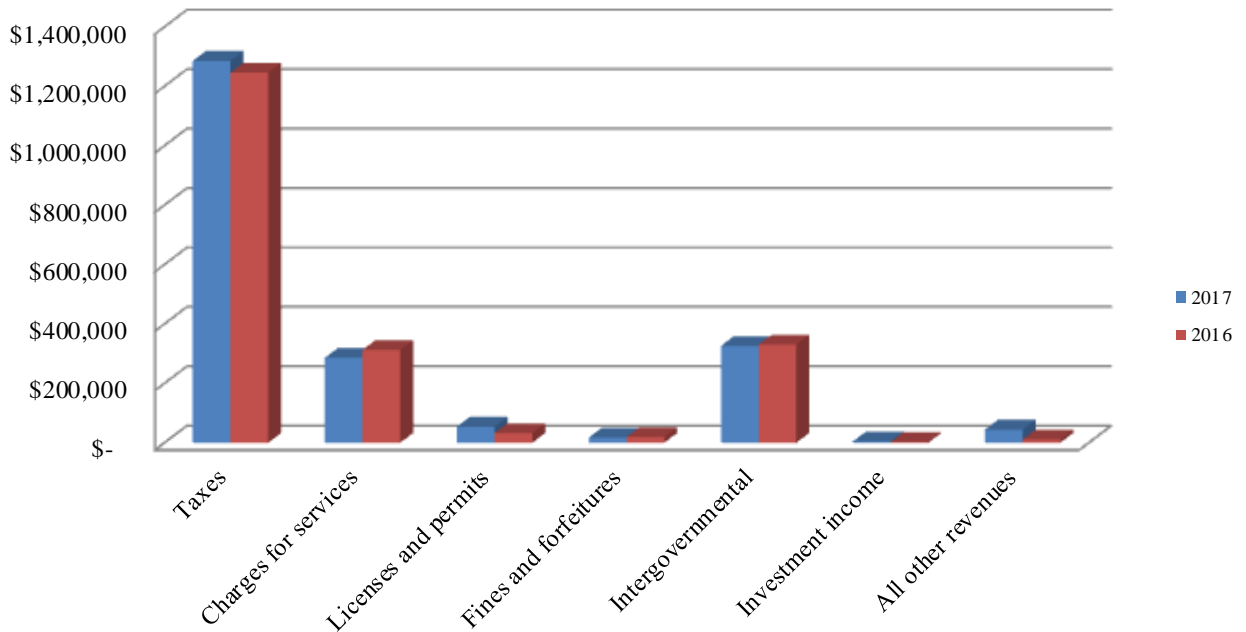
	2017 Amount	2016 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 1,285,361	\$ 1,245,223	3.22%
Charges for services	285,536	312,238	-8.55%
Licenses and permits	54,019	32,501	66.21%
Fines and forfeitures	17,635	18,730	-5.85%
Intergovernmental	325,832	330,382	-1.38%
Investment income	4,273	2,020	111.53%
All other revenues	44,196	11,038	300.40%
Total	<u>\$ 2,016,852</u>	<u>\$ 1,952,132</u>	3.32%

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Tax revenue represents 63.73 percent of all General Fund revenue. Income tax and property tax revenues experienced a slight increase while charges for services revenue decreased during 2017.

The following graphs show the breakdown of General Fund revenues for 2017 and 2016:

2017 vs. 2016 Revenue Comparison



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The table that follows assists in illustrating the expenditures of the General Fund.

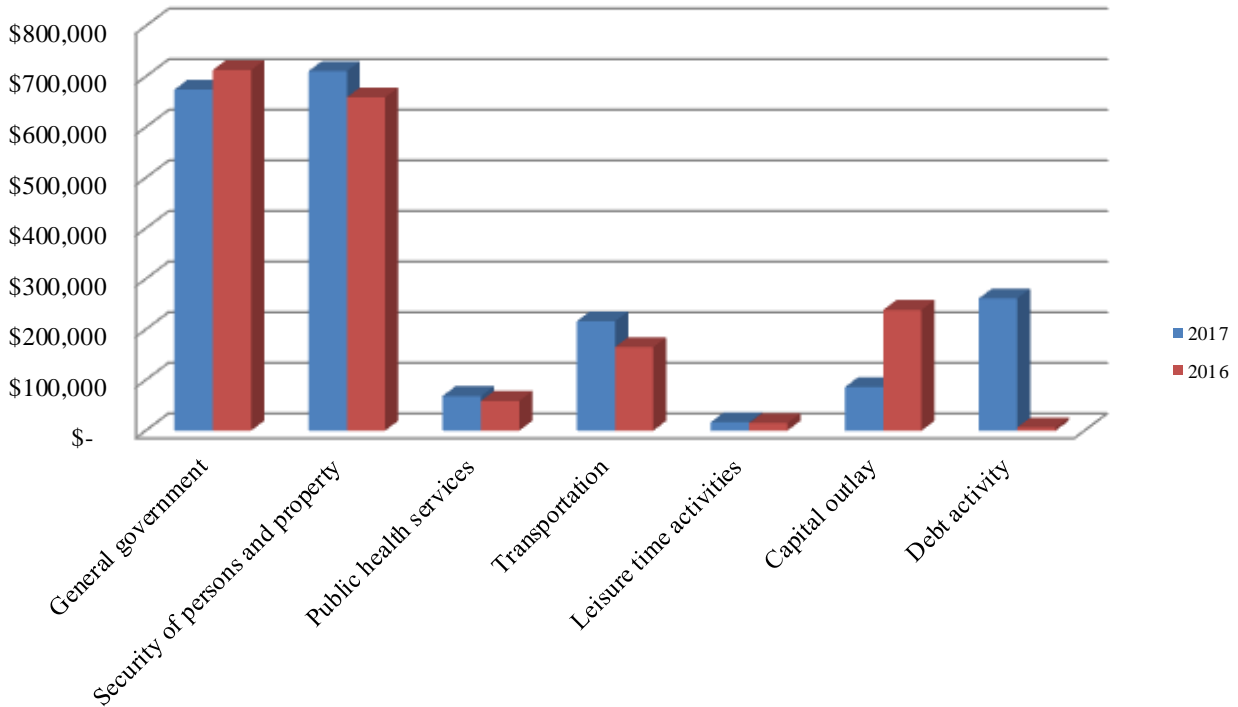
<u>Expenditures</u>	<u>2017 Amount</u>	<u>2016 Amount</u>
General government	\$ 674,149	\$ 712,795
Security of persons and property	710,729	658,892
Public health services	68,391	58,660
Transportation	216,211	165,163
Leisure time activities	16,678	14,940
Capital outlay	85,848	238,583
Debt activity	261,636	6,330
Total	<u>\$ 2,033,642</u>	<u>\$ 1,855,363</u>

The most significant increase was in the area of security of persons and property and transportation due to an increase in payroll expense. Also the General fund had an increase of debt activity due to the retirement of the bond retirement note. Capital outlay experienced the most significant decrease in expenditures when compared to 2016.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The following graphs show the breakdown of General Fund expenditures for 2017 and 2016:

2017 vs. 2016 Expenditures Comparison



Safety Forces Levy Fund

The fund balance of the City's Safety Forces Levy Fund increased \$31,178, primarily due to revenues exceeding the decrease in expenditures. Revenues decreased from \$580,807 in 2016 to \$577,118 in 2017. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by a 4.5 mil tax levy. Expenditures decreased from \$621,528 in 2016 to \$545,940 in 2017 because of a decrease in payroll expenses.

Police Levy Fund

The fund balance of the City's Police Levy Fund decreased \$32,181. Revenues increased from \$414,469 in 2016 to \$416,104 in 2017. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by two tax levies totaling 9.20 mils. Expenditures increased from \$414,811 in 2016 to \$448,285 in 2017.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Fire Levy Fund

The fund balance of the City's Fire Levy Fund decreased \$20,505, primarily due to an increase in expenditures. Revenues increased from \$330,100 in 2016 to \$344,180 in 2017. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by two tax levies totaling 7.30 mils. Expenditures increased from \$338,243 in 2016 to \$364,685 in 2017.

Stormwater Grants Fund

The fund balance of the City's Stormwater Grants Fund increased \$19,045 from a fund balance of \$395,896 in 2016 to a fund balance of \$414,941 in 2017. The increase is due to note proceeds of \$750,000 to be used for the Lake Street storm sewer project and Pinehurst Drive storm sewer project. Also the city received a OPWC grant money to be used on the same projects.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated resources certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted resources are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General Fund, the Safety Forces Levy Fund, the Police Levy Fund, and Fire Levy Fund. In the General Fund, actual revenues and other financing sources of \$2,059,056 were more than final budgeted revenues and other financing sources by \$7,391. Actual expenditures and other financing uses of \$1,996,045 were \$61,362 lower than the final budgeted amounts.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Capital Assets and Debt Administration

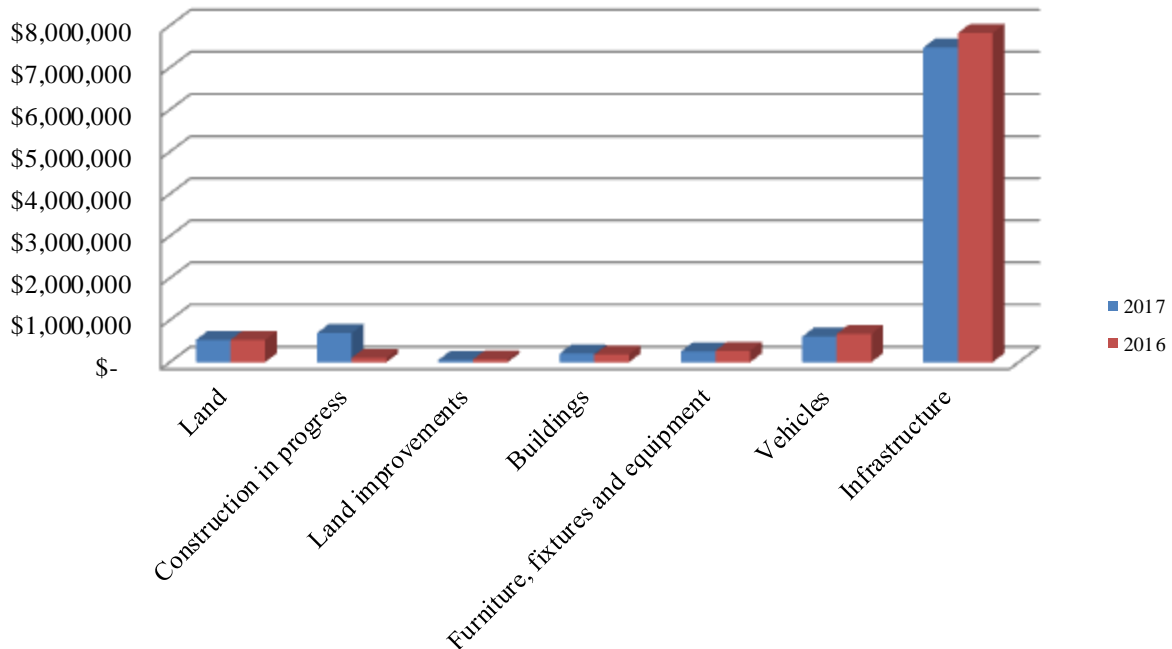
Capital Assets

At the end of 2017, the City had \$9,819,437 (net of accumulated depreciation) invested in land, construction in progress, buildings, land improvements, furniture, fixtures and equipment, vehicles, and infrastructure. See Note 7 for details regarding the City's capital assets. The following table shows fiscal year 2017 balances compared to 2016:

	Capital Assets at December 31, (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 528,914	\$ 528,914
Construction in progress	693,685	107,660
Land improvements	53,713	66,152
Buildings	205,122	179,655
Furniture, fixtures and equipment	255,405	272,551
Vehicles	607,604	675,665
Infrastructure	7,474,994	7,822,417
Total Capital Assets	<u>\$ 9,819,437</u>	<u>\$ 9,653,014</u>

The following graphs show the breakdown of governmental capital assets by category for 2017 and 2016:

2017 vs. 2016 Capital Assets - Governmental Activities



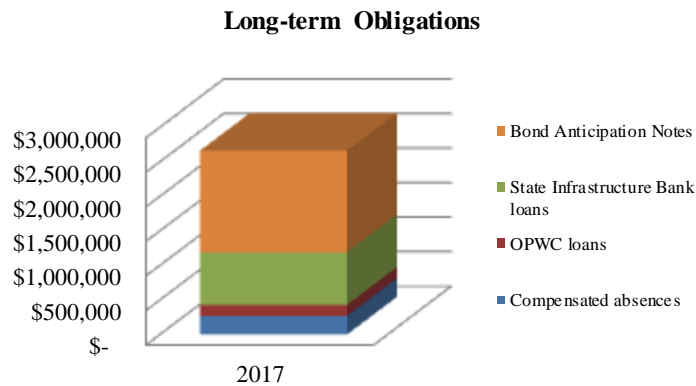
**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2017 and 2016. See Note 9 for details regarding the City’s long-term obligations.

	2017	2016
Compensated absences	\$ 268,196	\$ 303,041
OPWC loans	161,632	185,471
State Infrastructure Bank loans	762,195	823,112
Bond Anticipation Notes	1,470,000	1,220,000
Total outstanding debt	\$ 2,662,023	\$ 2,531,624

A comparison of the long-term obligations of 2017 by category is depicted in the chart below.



Economic Conditions and Outlook

The City of Mentor-on-the-Lake is a bedroom community with only 18 percent of our tax base being retail and commercial. We are located approximately twenty-five miles east of Cleveland and we enjoy a Lake Erie shoreline of two and one half miles. The City is 98 percent developed and all roads are paved with sanitary sewers and waterlines.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The City's unexpended cash fund balances for the Operational Funds which include the General Fund, Police Pension Fund, Police Levy Fund, Fire Levy Fund, Safety Forces Fund, SCMR, Charter Police Levy, Charter Fire Levy Fund, Charter Road Levy Fund and the State Highway Fund for the period ending December 31, 2017 increased by \$10,757. This increase in fund balance was due mostly from capital improvement purchases, capital software improvements and staff retirement payouts. Also, expenditures for fiscal year 2017 were kept to a minimum knowing that fiscal year 2017 would reflect a continuation of static real estate assessed values due to the County Auditor's sexennial reappraisal. The County Auditor did a triennial reappraisal in calendar year 2015 which unfortunately resulted in a decrease of assessed value for the City of \$97,650 or .08%. The main reason for the reduction in assessed value was from the tax category of Public Utility Tangible. It is anticipated that the assessed value of the City will not see any material change for the next three fiscal years.

With the reduction of the property values to be in place for the next three fiscal years and no real hope of the State of Ohio restoring cuts to our Local Government Fund, the basic services provided to our residents will remain minimal, as the limited resources available must be allocated to projects most in need. During 2017, the City reviewed current and implemented new fee structures within the services provided which has reduced the monetary loss the City was absorbing in past years. Until the County Auditor performs the next sexennial reappraisal, anticipated in 2019, the City's revenues are expected to remain flat.

In conclusion, the implementation of GASB Statement No. 68 requires the reader to perform additional calculations to determine the City's Total Net Position at December, 2017 without the implementation of GASB Statement No. 68. This is an important exercise, as the State Pension Systems (OPERS & OP&F) collect, hold and distributes pensions to our employees, not the City of Mentor-on-the-Lake. These calculations are as follows:

Total Net Position at December 31, 2017 (with GASB 68)	\$ 5,684,595
GASB 68 Calculations:	
Add: Deferred Inflows related to Pension	58,099
Net Pension Liability	4,389,802
Less: Deferred Outflows related to Pension	(1,332,729)
Total Net Position at December 31, 2017 (without GASB 68)	\$ 8,799,767

Contacting the City's Financial Management: This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Hollie R. Bartone, Director of Administration and Finance, City of Mentor-on-the-Lake, 5860 Andrews Rd., Mentor-on-the-Lake, Ohio 44060.

BASIC FINANCIAL STATEMENTS

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 1,058,899
Materials and Supplies Inventory	7,803
Accounts Receivable	23,029
Intergovernmental Receivable	410,620
Prepaid Items	15,254
Municipal Income Taxes Receivable	269,264
Property Taxes Receivable	1,992,180
Special Assessments Receivable	4,352
Nondepreciable Capital Assets	1,222,599
Depreciable Capital Assets	8,596,838
Total Assets	13,600,838
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,332,729
Deferred Outflows of Resources	1,332,729
LIABILITIES	
Accounts Payable	23,059
Accrued Wages and Benefits	92,412
Intergovernmental Payable	4,437
Pension Obligation Payable	39,292
Accrued Interest Payable	16,818
Unearned Revenue	88,690
Long-term Liabilities:	
Due within one year	1,679,006
Due in more than one year:	
Net Pension Liability (See Note 10)	4,389,802
Other amounts	983,017
Total Liabilities	7,316,533
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	1,874,340
Pension	58,099
Deferred Inflows of Resources	1,932,439
NET POSITION	
Net Investment in Capital Assets	7,840,551
Restricted for:	
Debt Services	28,642
Capital Projects	26,360
Street Construction, Maintenance and Repair	196,016
Fire and Safety Services	158,221
Other Purposes	22,554
Unrestricted	(2,587,749)
Total Net Position	\$ 5,684,595

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
Security of Persons and Property	\$ 2,816,752	\$ 216,357	\$ 19,715	\$ -	\$ (2,580,680)
Public Health Services	68,391	-	-	-	(68,391)
Leisure Time Activities	31,252	12,900	5,264	-	(13,088)
Transportation	1,185,512	-	323,113	260,927	(601,472)
General Government	794,673	154,438	-	-	(640,235)
Other	49,077	-	-	-	(49,077)
Interest and Fiscal Charges	46,678	-	-	-	(46,678)
Total Governmental activities	\$ 4,992,335	\$ 383,695	\$ 348,092	\$ 260,927	(3,999,621)
General Revenues:					
Property Taxes levied for:					
General Purposes					296,236
Other Purposes					1,691,145
Municipal Income Taxes levied for:					
General Purposes					1,033,023
Grants & Entitlements not restricted to specific programs					509,583
Investment Income					4,558
Gain on Sale of Capital Assets					6,380
All Other Revenues					91,014
Total General Revenues					<u>3,631,939</u>
Change in Net Position					(367,682)
Net Position - Beginning of Year					<u>6,052,277</u>
Net Position - End of Year					<u>\$ 5,684,595</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>General</u>	<u>Safety Forces Levy</u>	<u>Police Levy</u>
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 286,891	\$ 24,211	\$ 31,856
Materials and Supplies Inventory	-	-	3,052
Accounts Receivable	16,954	-	2,059
Intergovernmental Receivable	158,371	38,880	24,119
Prepaid Items	12,175	-	2,229
Municipal Income Taxes Receivable	269,264	-	-
Property Taxes Receivable	306,722	503,018	376,780
Special Assessments Receivable	4,352	-	-
Total Assets	<u>\$ 1,054,729</u>	<u>\$ 566,109</u>	<u>\$ 440,095</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 12,980	\$ -	\$ 1,741
Accrued Wages and Benefits	52,158	1,480	10,931
Intergovernmental Payable	4,437	-	-
Pension Obligation Payable	25,479	-	-
Unearned Revenue	7,094	-	-
<i>Total Liabilities</i>	<u>102,148</u>	<u>1,480</u>	<u>12,672</u>
Deferred Inflows of Resources:			
Property Taxes	286,224	477,041	350,201
Unavailable Revenue - Delinquent Property Taxes	20,498	25,977	26,579
Unavailable Revenue - Income Taxes	210,933	-	-
Unavailable Revenue - Other	135,238	38,880	24,119
<i>Total Deferred Inflows of Resources</i>	<u>652,893</u>	<u>541,898</u>	<u>400,899</u>
Fund Balances:			
Nonspendable	12,175	-	5,281
Restricted	-	22,731	21,243
Committed	22,819	-	-
Assigned	7,505	-	-
Unassigned (Deficit)	257,189	-	-
<i>Total Fund Balances</i>	<u>299,688</u>	<u>22,731</u>	<u>26,524</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,054,729</u>	<u>\$ 566,109</u>	<u>\$ 440,095</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(CONTINUED)**

<u>Fire Levy</u>	<u>Stormwater Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 39,650	\$ 414,941	\$ 261,350	\$ 1,058,899
601	-	4,150	7,803
-	-	4,016	23,029
19,197	-	170,053	410,620
850	-	-	15,254
-	-	-	269,264
299,651	-	506,009	1,992,180
-	-	-	4,352
<u>\$ 359,949</u>	<u>\$ 414,941</u>	<u>\$ 945,578</u>	<u>\$ 3,781,401</u>
\$ 1,445	\$ -	\$ 6,893	\$ 23,059
7,762	-	20,081	92,412
-	-	-	4,437
8,568	-	5,245	39,292
-	-	81,596	88,690
<u>17,775</u>	<u>-</u>	<u>113,815</u>	<u>247,890</u>
278,533	-	482,341	1,874,340
21,118	-	23,668	117,840
-	-	-	210,933
19,197	-	147,300	364,734
<u>318,848</u>	<u>-</u>	<u>653,309</u>	<u>2,567,847</u>
1,451	-	4,150	23,057
21,875	414,941	143,001	623,791
-	-	31,303	54,122
-	-	-	7,505
-	-	-	257,189
<u>23,326</u>	<u>414,941</u>	<u>178,454</u>	<u>965,664</u>
<u>\$ 359,949</u>	<u>\$ 414,941</u>	<u>\$ 945,578</u>	<u>\$ 3,781,401</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Total Governmental Fund Balances		\$ 965,664
<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.		9,819,437
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds:		
Delinquent property taxes	117,840	
Municipal Income taxes	210,933	
Intergovernmental revenues	364,734	
Total		693,507
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(16,818)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,332,729	
Deferred Inflows - Pension	(58,099)	
Net Pension Liability	(4,389,802)	
Total		(3,115,172)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds:		
OPWC loans	(161,632)	
Compensated absences	(268,196)	
SIB loan	(762,195)	
Bond anticipation notes	(1,470,000)	
Total		(2,662,023)
Net Position of Governmental Activities		\$ 5,684,595

The notes to the basic financial statements are an integral part of this statement

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**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General Fund</u>	<u>Safety Forces Levy</u>	<u>Police Levy</u>
REVENUES			
Property Taxes	\$ 299,608	\$ 499,347	\$ 365,309
Municipal Income Taxes	985,753	-	-
Intergovernmental	325,832	77,759	48,237
Investment Income	4,273	12	69
Licenses and Permits	54,019	-	-
Fines and Forfeitures	17,635	-	-
Charges for Services	285,536	-	-
All Other Revenues	44,196	-	2,489
Total Revenues	<u>2,016,852</u>	<u>577,118</u>	<u>416,104</u>
EXPENDITURES			
Security of Persons and Property	710,729	545,940	448,285
Public Health Services	68,391	-	-
Leisure Time Activities	16,678	-	-
Transportation	216,211	-	-
General Government	674,149	-	-
Capital Outlay	85,848	-	-
Debt Service:			
Principal Retirement	260,000	-	-
Interest and Fiscal Charges	1,636	-	-
Other	-	-	-
Total Expenditures	<u>2,033,642</u>	<u>545,940</u>	<u>448,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,790)</u>	<u>31,178</u>	<u>(32,181)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	6,380	-	-
Notes Issued	210,000	-	-
Transfers In	53,575	-	-
Transfers Out	(230,000)	-	-
Total Other Financing Sources (Uses)	<u>39,955</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	23,165	31,178	(32,181)
Fund Balances - Beginning of Year	276,523	(8,447)	58,705
Fund Balances - End of Year	<u>\$ 299,688</u>	<u>\$ 22,731</u>	<u>\$ 26,524</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

<u>Fire Levy</u>	<u>Stormwater Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 290,532	\$ -	\$ 502,647	\$ 1,957,443
-	-	-	985,753
38,394	260,927	367,865	1,119,014
77	-	138	4,569
-	-	-	54,019
-	-	1,979	19,614
-	-	24,526	310,062
15,177	-	29,141	91,003
<u>344,180</u>	<u>260,927</u>	<u>926,296</u>	<u>4,541,477</u>
364,685	-	367,783	2,437,422
-	-	-	68,391
-	-	5,264	21,942
-	-	449,649	665,860
-	-	4,800	678,949
-	594,866	46,258	726,972
-	400,000	644,757	1,304,757
-	2,516	27,765	31,917
-	-	49,077	49,077
<u>364,685</u>	<u>997,382</u>	<u>1,595,353</u>	<u>5,985,287</u>
<u>(20,505)</u>	<u>(736,455)</u>	<u>(669,057)</u>	<u>(1,443,810)</u>
-	-	-	6,380
-	750,000	510,000	1,470,000
-	5,500	287,700	346,775
<u>-</u>	<u>-</u>	<u>(116,775)</u>	<u>(346,775)</u>
<u>-</u>	<u>755,500</u>	<u>680,925</u>	<u>1,476,380</u>
(20,505)	19,045	11,868	32,570
43,831	395,896	166,586	933,094
<u>\$ 23,326</u>	<u>\$ 414,941</u>	<u>\$ 178,454</u>	<u>\$ 965,664</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
DECEMBER 31, 2017**

Net Change in Fund Balances--Total Governmental Funds \$ 32,570

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	726,971	
Depreciation	(558,836)	
Total		168,135

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or (loss) is reported for each disposal. (1,712)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	29,938	
Municipal Income taxes	47,270	
Intergovernmental revenues	(412)	
Total		76,796

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of notes. (1,470,000)

Repayment of long-term debt are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,304,756

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows 254,299

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (752,611)

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	34,845	
Accrued interest on bonds	(14,760)	
Total		20,085

Change in Net Position of Governmental Activities \$ (367,682)

The notes to the basic financial statements are an integral part of this statement

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Property Taxes	\$ 293,503	\$ 299,607	\$ 299,608	\$ 1
Municipal Income Taxes	910,000	1,012,874	1,012,875	1
Intergovernmental	335,050	326,592	326,595	3
Charges for Services	221,850	225,226	288,960	63,734
Licenses and Permits	39,750	56,504	59,248	2,744
Investment Earnings	500	3,825	4,273	448
Fines and Forfeitures	20,000	16,921	16,921	-
All Other Revenues	73,500	70,342	44,196	(26,146)
TOTAL REVENUES	<u>1,894,153</u>	<u>2,011,891</u>	<u>2,052,676</u>	<u>40,785</u>
EXPENDITURES				
Current:				
Security of Persons and Property	708,878	709,855	696,983	12,872
Public Health Services	60,310	68,703	68,391	312
Leisure Time Activities	17,227	19,788	17,063	2,725
Transportation	177,021	177,026	173,762	3,264
General Government	709,418	705,544	680,048	25,496
Capital Outlay	146,488	146,491	129,798	16,693
TOTAL EXPENDITURES	<u>1,819,342</u>	<u>1,827,407</u>	<u>1,766,045</u>	<u>61,362</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>74,811</u>	<u>184,484</u>	<u>286,631</u>	<u>102,147</u>
OTHER FINANCING SOURCES (USES)				
Transfers - Out	(230,000)	(230,000)	(230,000)	-
Sale of Capital Assets	2,000	39,774	6,380	(33,394)
Total Other Financing Sources (Uses)	<u>(228,000)</u>	<u>(190,226)</u>	<u>(223,620)</u>	<u>(33,394)</u>
Net Change in Fund Balance	(153,189)	(5,742)	63,011	68,753
Fund Balance - Beginning of Year	214,509	214,509	214,509	-
Prior Year Encumbrances Appropriated	855	855	855	-
Fund Balance - End of Year	<u>\$ 62,175</u>	<u>\$ 209,622</u>	<u>\$ 278,375</u>	<u>\$ 68,753</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SAFETY FORCES LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 478,498	\$ 499,347	\$ 499,347	\$ -
Intergovernmental	75,850	77,758	77,759	1
Investment Income	75	10	12	2
TOTAL REVENUES	<u>554,423</u>	<u>577,115</u>	<u>577,118</u>	<u>3</u>
EXPENDITURES				
Current:				
Security of Persons and Property	582,814	582,814	581,330	1,484
TOTAL EXPENDITURES	<u>582,814</u>	<u>582,814</u>	<u>581,330</u>	<u>1,484</u>
Net Change in Fund Balance	(28,391)	(5,699)	(4,212)	1,487
Fund Balance - Beginning of Year	28,423	28,423	28,423	-
Fund Balance - End of Year	<u>\$ 32</u>	<u>\$ 22,724</u>	<u>\$ 24,211</u>	<u>\$ 1,487</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 350,261	\$ 365,309	\$ 365,309	\$ -
Intergovernmental	47,500	48,237	48,237	-
Investment Income	30	64	69	5
All Other Revenues	50	430	431	1
TOTAL REVENUES	<u>397,841</u>	<u>414,040</u>	<u>414,046</u>	<u>6</u>
EXPENDITURES				
Current:				
Security of Persons and Property	453,586	453,586	441,451	12,135
TOTAL EXPENDITURES	<u>453,586</u>	<u>453,586</u>	<u>441,451</u>	<u>12,135</u>
Net Change in Fund Balance	(55,745)	(39,546)	(27,405)	12,141
Fund Balance - Beginning of Year	55,708	55,708	55,708	-
Prior Year Encumbrances Appropriated	1,827	1,827	1,827	-
Fund Balance - End of Year	<u>\$ 1,790</u>	<u>\$ 17,989</u>	<u>\$ 30,130</u>	<u>\$ 12,141</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 278,125	\$ 290,445	\$ 290,530	\$ 85
Intergovernmental	37,575	38,393	38,394	1
Investment Income	50	71	77	6
All Other Revenues	-	15,176	15,177	1
TOTAL REVENUES	<u>315,750</u>	<u>344,085</u>	<u>344,178</u>	<u>93</u>
EXPENDITURES				
Current:				
Security of Persons and Property	378,548	378,548	370,783	7,765
TOTAL EXPENDITURES	<u>378,548</u>	<u>378,548</u>	<u>370,783</u>	<u>7,765</u>
Net Change in Fund Balance	(62,798)	(34,463)	(26,605)	7,858
Fund Balance - Beginning of Year	51,751	51,751	51,751	-
Prior Year Encumbrances Appropriated	11,596	11,596	11,596	-
Fund Balance - End of Year	<u>\$ 549</u>	<u>\$ 28,884</u>	<u>\$ 36,742</u>	<u>\$ 7,858</u>

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	Agency Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 110,828
Cash and Cash Equivalents in Segregated Accounts	16,849
Total Assets	\$ 127,677
 Liabilities	
Deposits Held and Due to Others	16,849
Undistributed Monies	110,828
Total Liabilities	\$ 127,677

The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1: DESCRIPTION OF THE CITY

The City of Mentor-on-the-Lake, Ohio (the “City”) functions as a home-rule City in accordance with Article XVIII of the Constitution of the State of Ohio under a city charter originally adopted on January 1, 1967. The City operates under a Council-Mayor form of government. The City provides the following services: public safety, highways, street and maintenance, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City participates in the Northeast Ohio Public Energy Council (NOPEC), a jointly governed organization. Note 18 to the financial statements provides additional information for this entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City’s BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete.

The primary government consists of all funds and departments which provide various services, including police protection, fire and rescue protection, street maintenance and repair, parks, recreation, and planning and zoning. Council and the Mayor are directly responsible for these activities. The accompanying financial statements present the City, which has no component units.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Basis of Presentation – Fund Accounting

The City's BFS 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 government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental 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. 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 governmental functions are self-financing or draw 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. Fund Accounting

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

Governmental Funds - Governmental funds are those through which most governmental functions typically 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 deferred outflows of resources compared to liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. This includes, but is not limited to, police and fire protection, public health activities, and the general administration of City functions.

Safety Forces Levy Fund - The Safety Forces Levy Fund accounts for all transactions relating to the tax levy revenues related to the safety forces tax levy and restricted for related expenditures.

Police Levy Fund - The Police Levy Fund accounts for all transactions relating to the police tax levy and restricted for related expenditures.

Fire Levy Fund - The Fire Levy Fund accounts for all transactions relating to the fire tax levy and restricted for related expenditures.

Stormwater Grants Fund - The Stormwater Grants Fund accounts for all activity related to the Lake Street Storm construction project, including the bond anticipation note and construction expenditures.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted or committed to a particular purpose.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Fund Accounting** (Continued)

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds include refundable deposit accounts and payroll related liabilities that have not yet been disbursed to their respective taxing authorities.

D. **Measurement Focus and Basis of Accounting**

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, 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, deferred outflows of resources, 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Revenues - Exchange and Non-exchange 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). 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 a 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: state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees, and special assessments.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Basis of Accounting** (Continued)

Unearned Revenue - Unearned revenue arises when revenues are received in advance of the fiscal year which they were intended to finance.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the governmental-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 10).

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 MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. Budgetary Data

The budgetary process is prescribed 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 Appropriations Ordinance, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of control has been established by Council at the personal services and other expenditures object levels within each department for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget - During the first Council meeting in July, the Mayor presents the following fiscal year's annual operating budget 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 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each 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 unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

The amounts reported on the budgetary statements reflect the amounts in the original and final amended official Certificate of Estimated Resources issued during 2017.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

F. **Budgetary Data** (Continued)

Appropriations - A temporary Appropriation Ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Ordinance must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Ordinance fixes spending authority at the legal level of control. The Appropriation Ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statements reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. **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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2017, the City's investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). The City's investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. **Cash and Cash Equivalents** (Continued)

For 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The City's policy is to hold investments until maturity or until market values equal or exceed cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$4,273 which includes \$3,050 assigned from other funds.

H. **Capital Assets**

General capital assets result from expenditures in the governmental funds. These 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads and storm sewers. 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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Capital Assets** (Continued)

All reported 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>Governmental Activities Estimated Lives</u>
Land Improvements	20 years
Buildings	30-50 years
Furniture, Fixtures, and Equipment	10-40 years
Vehicles	6-25 years
Infrastructure	25-50 years

I. **Compensated Absences**

The City follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time 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 City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time and compensatory time when earned for all employees with more than one year of service.

Sick leave benefits are accrued using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. **Compensated Absences** (Continued)

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave are paid. There was no short-term compensated absences payable at December 31, 2017.

J. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. **Pensions**

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M. Interfund Activity

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

N. 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 classification 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City’s Council. Those committed amounts cannot be used for any other purpose unless the City’s Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. 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.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

N. **Fund Balance** (Continued)

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. In the General Fund, assigned amounts would represent intended uses established by City Council.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

O. **Estimates**

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

P. Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Q. Extraordinary and/or Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the City.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The object of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The implementation of GASB Statement No. 82 did not have an effect on City's beginning net position.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 4: **DEPOSITS AND INVESTMENTS**

State Statutes classify monies held by the City into three categories.

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio).

The City may also invest any 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, city, county, township, or other political subdivision of this State, as to which there is no default principal, interest, or coupons; and
3. Obligations to the City.

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. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 Administrative Director or, if the securities are not represented by a certificate, upon receipt of confirmation of the transfer from the custodian.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

A. Cash on Hand

At year-end, the City had \$610 in undeposited cash on hand which is included on the financial statements as part of “Equity in Pooled Cash and Cash Equivalents”.

B. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of all City deposits was \$840,668. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2017, \$385,984 of the City’s bank balance of \$904,025 was exposed to custodial risk as discussed below, while \$518,041 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. Although the securities were held by the pledging financial institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The City’s financial institution had enrolled in OPCS as of December 31, 2017.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

C. Investments

The City has a formal investment policy and utilizes a pooled investment concept for all its funds to maximize its investment program. STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The following table identify the City's recurring fair value measurement as of December 31, 2017. As previously discussed STAR Ohio is reported at its net asset value.

As of December 31, 2017, the City had the following investments and maturities:

<u>Investment Type</u>	<u>NAV</u>	<u>Investment Maturities 6 Months or Less</u>
STAR Ohio	<u>\$ 345,298</u>	<u>\$ 345,298</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2017:

<u>Investment Type</u>	<u>NAV</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 345,298</u>	<u>100.00 %</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

D. Reconciliation of Cash and Investments to the Statements

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of December 31, 2017:

<u>Cash and Investments per Note</u>	
Cash on Hand	\$ 610
Carrying Amount of Deposits	840,668
Investments	<u>345,298</u>
Total Cash and Investments per Note	<u>\$ 1,186,576</u>
 <u>Cash and Cash Equivalents per Statements</u>	
Governmental Activities	\$ 1,058,899
Agency Funds	<u>127,677</u>
Total Cash and Investments per Statements	<u>\$ 1,186,576</u>

NOTE 5: **TAXES**

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semiannually. 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 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. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 5: **TAXES** (Continued)

A. **Property Taxes** (Continued)

The County Treasurer collects property taxes on behalf of all taxing entities in the County, including the City. 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, 2017, was \$27.80 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2017 property tax receipts were based are as follows:

Real Property Tax	\$ 122,390,790
Public Utility Tangible Personal Property Tax	<u>6,121,820</u>
Total Assessed Valuation	<u>\$ 128,512,610</u>

Property taxes receivables represent real and public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2017. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any delinquencies received by the City in the first thirty-one days of the year are credited as property tax revenues with the remainder being credited to deferred inflows of resources on the modified accrual basis of accounting.

B. **Income Taxes**

The City levies a tax of 2 percent on all salaries, wages, commissions, and other compensation and net profits earned within the City as well as incomes to residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Income tax revenue is credited to the General Fund and totaled \$985,753 on the modified accrual basis for fiscal year 2017.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2017, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been recorded to the extent that they are measurable at December 31, 2017.

A summary of the items of receivables reported on the statement of net position follows:

Governmental Activities

Property Taxes	\$ 1,992,180
Municipal Income Taxes	269,264
Accounts	23,029
Special Assessments	4,352
Intergovernmental:	
Homestead & Rollback Reimbursements	117,097
Local Government	133,973
Gasoline & Excise Taxes/Auto Registration	158,330
Other	1,220

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within the subsequent year.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balances 12/31/2016	Additions	Disposals	Balances 12/31/2017
Governmental Activities				
Nondepreciable Assets:				
Land	\$ 528,914	\$ -	\$ -	\$ 528,914
Construction in progress	107,660	641,123	(55,098)	693,685
Total Nondepreciable Assets	<u>636,574</u>	<u>641,123</u>	<u>(55,098)</u>	<u>1,222,599</u>
Depreciable Assets:				
Land Improvements	234,577	-	-	234,577
Buildings	634,515	45,987	-	680,502
Furniture, fixtures and equipment	564,414	15,453	-	579,867
Vehicles	1,665,840	24,408	(185,529)	1,504,719
Infrastructure:				
Roads	8,830,295	55,098	-	8,885,393
Storm sewers	989,647	-	-	989,647
Total Depreciable Assets	<u>12,919,288</u>	<u>140,946</u>	<u>(185,529)</u>	<u>12,874,705</u>
Less Accumulated Depreciation				
Land Improvements	(168,425)	(12,439)	-	(180,864)
Buildings	(454,860)	(20,520)	-	(475,380)
Furniture, fixtures and equipment	(291,863)	(32,599)	-	(324,462)
Vehicles	(990,175)	(90,757)	183,817	(897,115)
Infrastructure:				
Roads	(1,802,503)	(381,340)	-	(2,183,843)
Storm sewers	(195,022)	(21,181)	-	(216,203)
Total Accumulated Depreciation	<u>(3,902,848)</u>	<u>(558,836) *</u>	<u>183,817</u>	<u>(4,277,867)</u>
Total Depreciable Assets, Net	<u>9,016,440</u>	<u>(417,890)</u>	<u>(1,712)</u>	<u>8,596,838</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,653,014</u>	<u>\$ 223,233</u>	<u>\$ (56,810)</u>	<u>\$ 9,819,437</u>

* Depreciation expense was charged to functions/programs of the City as follows:

Security of Persons and Property:	\$ 81,234
Leisure Time Activities	9,310
Transportation	441,844
General Government	26,448
Total Depreciation Expense	<u>\$ 558,836</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 8: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers to:</u>	<u>Transfers from:</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 53,575	\$ 53,575
Stormwater Grants	-	5,500	5,500
Nonmajor Governmental Funds	230,000	57,700	287,700
	<u>\$230,000</u>	<u>\$ 116,775</u>	<u>\$346,775</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund or to the funds that report the debt obligations as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Transfers between governmental funds are eliminated on the statement of activities.

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 9: LONG-TERM OBLIGATIONS

A. Changes in Governmental Activities' Long-Term Obligations

During the fiscal year 2017, the following changes occurred in the City's governmental activities' long-term obligations:

	Interest Rate	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Amounts Due in One Year
Governmental Activities:						
<u>Bond Anticipation Notes</u>						
Various Purpose Improvement Anticipation Notes, 2016,	1.375%	\$ 1,220,000	\$ -	\$ (1,220,000)	\$ -	\$ -
Various Purpose Improvement Anticipation Notes, 2017,	1.875%	-	1,470,000	-	1,470,000	1,470,000
Total Bond Anticipation Notes		<u>1,220,000</u>	<u>1,470,000</u>	<u>(1,220,000)</u>	<u>1,470,000</u>	<u>1,470,000</u>
<u>OPWC Loans:</u>						
2000 - 20 years OPWC 99 (Reynolds Rd.)	0%	26,250	-	(7,500)	18,750	7,500
2004 - 20 years OPWC 04 (Holly Dr.)	0%	52,683	-	(6,585)	46,098	6,585
2005 - 20 years OPWC 05 (Weber Area)	0%	20,288	-	(2,254)	18,034	2,254
2007 - 20 years OPWC 07 (SR 283)	0%	86,250	-	(7,500)	78,750	7,500
Total OPWC Loans		<u>185,471</u>	<u>-</u>	<u>(23,839)</u>	<u>161,632</u>	<u>23,839</u>
<u>Other Long-Term Obligations:</u>						
SIB Loan # 070B10	3%	823,112	-	(60,917)	762,195	62,762
Compensated absences		303,041	118,855	(153,700)	268,196	122,402
Net Pension Liability:						
OPERS		1,505,391	470,912	-	1,976,303	-
OPF-Police		1,491,501	27,307	-	1,518,808	-
OPF-Fire		793,237	101,454	-	894,691	-
Total Net Pension Liability		<u>3,790,129</u>	<u>599,673</u>	<u>-</u>	<u>4,389,802</u>	<u>-</u>
Total Other Long-Term Obligations		<u>4,916,282</u>	<u>718,528</u>	<u>(214,617)</u>	<u>5,420,193</u>	<u>185,164</u>
Total Governmental Activities						
Long-Term Obligations		<u>\$ 6,321,753</u>	<u>\$ 2,188,528</u>	<u>\$ (1,458,456)</u>	<u>\$ 7,051,825</u>	<u>\$ 1,679,003</u>

Compensated Absences: Compensated absences reported in the "compensated absences payable" account will be paid from the funds from which the employees' salaries are paid, which are primarily the General, Policy Levy, SCMR, and Safety Forces Levy funds.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

A. **Changes in Governmental Activities Long-Term Obligations** (Continued)

OPWC Loans: The City has entered into five debt financing arrangements through the Ohio Public Works Commission (OPWC). These loans are to fund various street improvements. The amounts due to the OPWC are payable solely from general revenues. The loan agreements function similar to a line-of-credit agreement. Each of the OPWC loans is being repaid from the Debt Service Fund. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free.

State Infrastructure Bank (SIB) Loans: In prior years, the City had entered into a SIB loan provided by the Ohio Department of Transportation (ODOT), which was originally issued in the amount of \$624,284. This loan was provided to assist with the costs in the State Route 283 Reconstruction project within the City. During 2013, ODOT and the City completed this project. After final closure and review of this project, ODOT increased the original SIB loan by \$586,670 and extended the maturity date to June 2028. The City has pledged its general obligation to repay 100 percent of the loan. The City's Debt Service Fund will be used to repay the required debt service on this loan

Bond Anticipation Note: During 2017, the City issued \$1,470,000 in bond anticipation notes. The 2017 bond anticipation note issuance is broken down as follows: \$440,000 was issued for the State Route 283 project; \$30,000 was issued for the Holly Drive project; \$20,000, \$130,000, and \$60,000 were issued for the purchase of miscellaneous equipment, a dump truck, and 911 system, respectively, in the General Fund; \$400,000 was issued for the Lake Street Storm Sewer project; \$350,000 was issued for the Pinehurst Drive Storm Sewer project; and \$40,000 was issued for the purchase of radio equipment. The proceeds of the bond anticipation notes were recorded in the Andrews Road Construction Fund (a nonmajor governmental fund), the OPWC Holly Drive Fund (a nonmajor governmental fund), the General Fund (a major fund), the Stormwater Grants Fund (a major fund), and the Radio Equipment Fund (a nonmajor governmental fund), respectively. As of December 31, 2017, the City had \$414,941 of unspent proceeds. The notes have a 1.875 percent interest rate and are scheduled to mature on June 15, 2018.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

A. **Changes in Governmental Activities Long-Term Obligations** (Continued)

Principal requirements to retire the long-term loans outstanding at December 31, 2017, are as follows:

Year	<u>OPWC Loans</u>	<u>SIB Loan # 070B10</u>	
	Principal	Principal	Interest
2018	\$ 23,839	\$ 62,762	\$ 22,398
2019	23,840	64,659	20,501
2020	20,090	66,613	18,547
2021	16,340	68,626	16,534
2022	16,340	70,701	14,460
2023-2027	57,433	386,881	38,923
2028	3,750	41,953	629
Total	<u>\$ 161,632</u>	<u>\$ 762,195</u>	<u>\$ 131,992</u>

B. **Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2017, the City's total debt margin was \$11,130,506 and the unvoted debt margin was \$4,704,876.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 10: **PENSION PLAN**

A. Net Pension Liability

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

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

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

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

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

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LAKE COUNTY, OHIO
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS)
(Continued)

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

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

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS)
(Continued)

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$87,505 for 2017. Of this amount, \$18,975 is reported as pension obligation payable.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

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

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

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

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

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

	<u>Police</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$166,794 for 2017. Of this amount, \$20,318 is reported as pension obligation payable.

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LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.0086910%	0.023185%	0.012331%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.0087030%</u>	<u>0.023979%</u>	<u>0.014125%</u>	
Change in Proportionate Share	<u>0.000012%</u>	<u>0.000794%</u>	<u>0.001794%</u>	
Proportionate Share of the Net Pension Liability	\$ 1,976,303	\$ 1,518,808	\$ 894,691	\$ 4,389,802
Pension Expense	\$ 412,264	\$ 186,522	\$ 153,825	\$ 752,611

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LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F Police</u>	<u>OP&F Fire</u>	<u>Total</u>
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$294,317	\$147,697	\$87,004	\$529,018
Changes of assumptions	313,465	0	0	313,465
Differences between expected and actual experience	2,679	430	253	3,362
Changes in proportion and differences between City contributions and proportionate share of contributions	1,019	35,880	195,686	232,585
City contributions subsequent to the measurement date	<u>87,505</u>	<u>103,677</u>	<u>63,117</u>	<u>254,299</u>
Total Deferred Outflows of Resources	<u>\$698,985</u>	<u>\$287,684</u>	<u>\$346,060</u>	<u>\$1,332,729</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$11,760	\$3,496	\$2,059	\$17,315
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>8,572</u>	<u>32,212</u>	<u>0</u>	<u>40,784</u>
Total Deferred Inflows of Resources	<u>\$20,332</u>	<u>\$35,708</u>	<u>\$2,059</u>	<u>\$58,099</u>

\$254,299 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Year Ending December 31:	<u>OPERS</u>	<u>OP&F Police</u>	<u>OP&F Fire</u>	<u>Total</u>
2018	\$240,099	\$55,395	\$76,267	\$371,761
2019	255,011	55,393	76,265	\$386,669
2020	104,666	42,011	68,382	\$215,059
2021	(8,628)	(10,718)	37,322	\$17,976
2022	0	5,503	21,056	26,559
Thereafter	<u>0</u>	<u>715</u>	<u>1,592</u>	<u>2,307</u>
Total	<u>\$591,148</u>	<u>\$148,299</u>	<u>\$280,884</u>	<u>\$1,020,331</u>

E. Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view 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 8.0 percent down to 7.5 percent, for the defined benefit investments.

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LAKE COUNTY, OHIO
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

E. **Actuarial Assumptions – OPERS** (Continued)

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

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LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

E. Actuarial Assumptions – OPERS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. 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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

E. **Actuarial Assumptions – OPERS** (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 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	\$3,019,245	1,976,303	\$1,107,196

F. **Actuarial Assumptions – OP&F**

OPF’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

F. **Actuarial Assumptions – OP&F** (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

F. **Actuarial Assumptions – OP&F** (Continued)

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, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 year Expected Real Rate of Return **</u>	<u>30 year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	0 %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation Protected *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	<u>120.00 %</u>		

* levered 2x

** numbers are net of expected inflation

OP&F’s Board of Trustees has incorporated the “risk parity” concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 10: **PENSION PLAN** (Continued)

F. **Actuarial Assumptions – OP&F** (Continued)

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$3,214,455	2,413,499	\$1,734,623

Changes Between Measurement Date and Report Date In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

NOTE 11: **POST-EMPLOYMENT BENEFIT PLANS**

A. **Ohio Public Employees Retirement System**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan is a defined contribution plan; and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a 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 to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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NOTE 11: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

A. **Ohio Public Employees Retirement System** (Continued)

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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 in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.00 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.10 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 of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.00 percent during calendar year 2017.

As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.00 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 11: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

A. **Ohio Public Employees Retirement System** (Continued)

Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent. The City's actual employer contributions for December 31, 2017, 2016 and 2015 which were used to fund post-employment benefits were \$11,215, \$22,966, and \$22,107, respectively; 100 percent has been contributed for 2017, 2016 and 2015.

B. **Ohio Police and Fire Pension Fund**

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

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

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. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, OH 43215-5164. That report is also available on OP&F's website at www.op-f.org.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 11: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

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, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.50 percent of covered payroll from January 1, 2017 thru December 31, 2017. 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 and is limited by the provisions of the Sections 115 and 401(h).

The OP&F Board of Trustees also is 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 contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$2,728 and \$1,343 for the year ended December 31, 2017, \$2,864 and \$1,371 for the year ended December 31, 2016, and \$2,919 and \$1,235 for the year ended December 31, 2015, respectively; 88.18 percent has been contributed for 2017 and 100 percent for 2016 and 2015.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 12: **OTHER EMPLOYEE BENEFITS**

A. **Deferred Compensation Plan**

City employees may participate in the Ohio Municipal League Master Deferred Compensation Plan through the Ohio Public Employees Deferred Compensation Program, the Aetna Life Insurance and Annuity Company, the Equitable Financial Companies Deferred Compensation Plan or the Security Benefit Life Insurance Company/Financial Network of America, in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

B. **Compensated Absences**

Employees earn vacation and sick leave at varying rates depending on the duration of employment. Vacation leave can be carried over for use in the following year. Sick leave accrual is continuous, without limit. Overtime worked is always paid to employees in the paycheck for the period in which it was earned, or it may be taken in the form of compensatory time, not to exceed 48 hours for non-union employees, 60 hours for union employees.

Upon retirement or death employees are paid one-half of their leave balance, not to exceed a maximum of 480 hours of sick leave, except fire department employees who can receive a maximum of 600 hours of sick leave pay. Upon retirement, termination, or death of the employee all compensatory time is paid and vacation leave balance is paid at his/her current rate of pay but not to exceed any accumulation greater than one week above their current accrued compensation step.

The current portion of unpaid compensated absences, for governmental funds, is recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported on the statement of net position.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 13: **CONTINGENCIES**

A. **Grants**

The City receives financial assistance from numerous 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 other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2017.

B. **Litigation**

The City has various matters that are pending, however, none of which will have a material adverse affect on the City as disclosed by the City's legal counsel.

NOTE 14: **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. The City has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the City to the commercial company. The City continues to carry commercial insurance for other risks of loss, including employee health, dental, life, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years. There has been no significant reduction in insurance from prior year.

The City participates in the Ohio Municipal League (OML) public risk pool for workers' compensation. The Group Rating Plan is administered by CompManagement, Inc, who acts as the City's third party administrator. University Hospitals CompCare acts as the City's Managed Care Organization (MCO). The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 15: BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP); and
3. Encumbrances are treated as expenditures (budget) rather than as a part of restricted, committed, and assigned fund balances (GAAP);

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented.

	<u>General</u>	<u>Safety Forces Levy</u>	<u>Police Levy</u>	<u>Fire Levy</u>
Budget basis	\$ 63,011	\$ (4,212)	\$ (27,405)	\$(26,605)
Net adjustment of revenue accruals	(35,824)	-	2,059	-
Net adjustment of expenditure accruals	(276,113)	35,390	(8,560)	3,192
Net adjustment of other sources/uses	263,575	-	-	-
Adjustment for encumbrances	8,516	-	1,725	2,908
GAAP basis	<u>\$ 23,165</u>	<u>\$ 31,178</u>	<u>\$ (32,181)</u>	<u>\$(20,505)</u>

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 16: 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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Safety Forces Levy	Police Levy	Fire Levy	Stormwater Grants	Other Governmental Funds	Total
<i>Nonspendable</i>							
Prepaid Items	\$ 12,175	\$ -	\$ 2,229	\$ 850	\$ -	\$ -	\$ 15,254
Materials and Supplies Inventory	-	-	3,052	601	-	4,150	7,803
<i>Total Nonspendable</i>	<u>12,175</u>	<u>-</u>	<u>5,281</u>	<u>1,451</u>	<u>-</u>	<u>4,150</u>	<u>23,057</u>
<i>Restricted for</i>							
Police Pension	-	-	-	-	-	2,139	2,139
Safety Services	-	22,731	21,243	21,875	-	14,637	80,486
Other Law Enforcement	-	-	-	-	-	8,960	8,960
EMS Grant	-	-	-	-	-	3,094	3,094
FEMA Grants	-	-	-	-	-	1	1
ODNR Grant	-	-	-	-	-	422	422
Streets and Highways	-	-	-	-	-	70,298	70,298
Stormwater Grants	-	-	-	-	414,941	-	414,941
Fire Grants	-	-	-	-	-	7,400	7,400
Debt Service	-	-	-	-	-	30,509	30,509
OPWC Capital Projects	-	-	-	-	-	5,541	5,541
<i>Total Restricted</i>	<u>-</u>	<u>22,731</u>	<u>21,243</u>	<u>21,875</u>	<u>414,941</u>	<u>143,001</u>	<u>623,791</u>
<i>Committed to</i>							
McMinn Memorial Park	-	-	-	-	-	413	413
Labor Day Parade	-	-	-	-	-	999	999
Toys for Kids Program	-	-	-	-	-	8,665	8,665
Municipal Complex Renovations	-	-	-	-	-	1	1
Fire Equipment	-	-	-	-	-	20,637	20,637
Grade Stake Fees	22,819	-	-	-	-	-	22,819
Radio Equipment	-	-	-	-	-	588	588
<i>Total Committed</i>	<u>22,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,303</u>	<u>54,122</u>
<i>Assigned to</i>							
Purchases on Order	7,505	-	-	-	-	-	7,505
<i>Total Assigned</i>	<u>7,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,505</u>
<i>Unassigned (Deficit)</i>	257,189	-	-	-	-	-	257,189
Total Fund Balances	<u><u>\$ 299,688</u></u>	<u><u>\$ 22,731</u></u>	<u><u>\$ 26,524</u></u>	<u><u>\$ 23,326</u></u>	<u><u>\$ 414,941</u></u>	<u><u>\$ 178,454</u></u>	<u><u>\$ 965,664</u></u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

NOTE 17: OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of December 31, 2017, the City's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
Major Funds:	
General	\$ 8,516
Police Levy	1,725
Fire Levy	2,908
Stormwater Grants	299,621
Nonmajor Funds:	
Special Revenue Funds	14,125
Total	\$ 326,895

NOTE 18: JOINTLY GOVERNED ORGANIZATION

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 173 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity 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 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 from each county then elect one person to serve on the ten-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Ron McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

NOTE 19: **SUBSEQUENT EVENT**

On June 15, 2018, the City Issued \$1,470,000 in bond anticipation notes maturing on June 14, 2019 for capital projects and equipment purchases. These proceeds were used to retire \$1,470,000 in bond anticipation notes maturing on June 14, 2018.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS (1)**

Traditional Plan	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.008703%	0.008691%	0.088910%	0.008891%
City's Proportionate Share of the Net Pension Liability	\$1,976,303	\$1,505,391	\$1,072,354	\$1,048,133
City's Covered-Employee Payroll	\$1,125,100	\$1,081,725	\$1,093,650	\$1,167,546
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	175.66%	139.17%	98.05%	89.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION FUND
LAST FOUR YEARS (1)**

Police	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0239790%	0.0231850%	0.0241208%	0.0241208%
City's Proportionate Share of the Net Pension Liability	\$1,518,808	\$1,491,501	\$1,249,558	\$1,174,759
City's Covered-Employee Payroll	\$572,858	\$544,053	\$499,816	\$523,204
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	265.13%	274.15%	250.00%	224.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%
Fire	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0141250%	0.0123310%	0.0090013%	0.0090013%
City's Proportionate Share of the Net Pension Liability	\$894,691	\$793,237	\$466,305	\$438,392
City's Covered-Employee Payroll	\$274,183	\$223,694	\$184,698	\$188,843
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	326.31%	354.61%	252.47%	232.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$87,505	\$135,012	\$129,807	\$131,238	\$151,781
Contributions in Relation to the Contractually Required Contribution	<u>(\$87,505)</u>	<u>(\$135,012)</u>	<u>(\$129,807)</u>	<u>(\$131,238)</u>	<u>(\$151,781)</u>
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll	\$673,115	\$1,125,100	\$1,081,725	\$1,093,650	\$1,167,546
Pension Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND
LAST TEN YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Contractually Required Contributions</u>										
Police	\$103,677	\$108,843	\$103,370	\$94,965	\$82,300	\$65,564	\$73,458	\$82,362	\$86,554	[2]
Fire	\$63,117	\$64,433	\$52,568	\$43,404	\$38,203	\$32,272	\$34,333	\$41,669	\$41,025	[2]
Total Required Contributions	\$166,794	\$173,276	\$155,938	\$138,369	\$120,503	\$97,836	\$107,791	\$124,031	\$127,579	\$0
Contributions in Relation to the Contractually Required Contribution	(\$166,794)	(\$173,276)	(\$155,938)	(\$138,369)	(\$120,503)	(\$97,836)	(\$107,791)	(\$124,031)	(\$127,579)	\$0
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>City's Covered-Employee Payroll</u>										
Police	\$545,668	\$572,858	\$544,053	\$499,816	\$523,204	\$514,227	\$576,141	\$645,976	\$678,776	[2]
Fire	\$268,583	\$274,183	\$223,694	\$184,698	\$188,843	\$187,084	\$199,032	\$241,559	\$237,826	[2]
<u>Pension Contributions as a Percentage of Covered- Employee Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	[1]	17.25%	17.25%	17.25%	17.25%	17.25%

[1] – The portion of the City’s contributions to fund pension obligations from January 1, 2013 thru May 31, 2013, for both police officers and firefighters was 14.81 percent and 19.31 percent, respectively. The portion of the City’s contributions to fund pension obligations from June 1, 2013 thru December 31, 2013 for both police officers and firefighters was 16.65 percent and 21.15 percent, respectively.

[2] - Information prior to 2009 is not available for the breakout of OPF contribution by police and fire

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED DECEMBER 31, 2017**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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Dave Yost • Auditor of State

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

City of Mentor-on-the-Lake
Lake County
5860 Andrews Road
Mentor-on-the-Lake, Ohio 44060

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor-on-the-Lake, Lake County, Ohio (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

July 26, 2018



Dave Yost • Auditor of State

CITY OF MENTOR-ON-THE-LAKE

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
AUGUST, 23 2018**