

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

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

James G. Zupka, CPA, Inc.
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the City of Mentor-on-the-Lake, Lake County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Mentor-on-the-Lake is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

June 29, 2022

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**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Mentor-on-the-Lake
Mentor-on-the-Lake, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

Report on the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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 as of December 31, 2021, and the respective changes in financial position and the budgetary comparisons for the General Fund, Safety Forces Levy Fund and Fire Levy Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of Matter

As discussed in Note 21 to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

June 2, 2022

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**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021. 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 2021 are as follows:

- The total net position of the City increased \$746,660.
- General revenues accounted for \$4,019,803 or 78.87 percent of total governmental activities revenue. Program specific revenues accounted for \$1,076,742 or 21.13 percent of total governmental activities revenue of \$5,096,545.
- The City had \$4,349,885 in expenses related to governmental activities; \$1,076,742 of these expenses were offset by program specific charges for services, grants and contributions.
- The City had four major funds consisting of the General Fund, the Safety Forces Levy Fund, the Fire Levy Fund, and General Bond Retirement Fund.
- The General Fund had total revenues (including other financing sources) of \$2,299,104 in 2021. This represents a decrease of \$134,367 from 2020 revenues. The expenditures (including other financing uses) of the General Fund, which totaled \$2,405,740 in 2021, increased \$214,833 from 2020 expenses. The net decrease in fund balance for the General Fund was \$106,636.
- The Safety Forces Levy Fund had revenues of \$651,588 in 2021, which is an increase of \$6,190 from 2020 revenues. The expenditures in the Safety Forces Levy Fund totaled \$693,165 in 2021, which increased \$135,143 from 2020. The net decrease in fund balance was \$41,577, resulting in an ending fund balance of \$49,309.
- The Fire Levy Fund had revenues of \$338,570 in 2021, which is a decrease of \$25,571 from 2020 revenues. The expenditures totaled \$375,263 in 2021, which increased \$70,359 from 2020 expenditures. The net decrease in fund balance was \$36,693, resulting in an ending fund balance of \$95,246.
- General Bond Retirement Fund had revenues and other financing sources of \$365,000 in 2021 which is an increase of \$365,000 from 2020 revenues. The expenditures and other financing uses totaled of \$117,626 in 2021, which is a decrease of \$1,366,405 from 2020 expenditures. The net increase in fund balance was \$247,374, resulting in an ending fund deficit of \$959,367.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
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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 look at all financial transactions and asks the question, “How did we do financially during 2021?” 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.

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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

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 focus on the City's most significant funds. The analysis of the City's major governmental funds begins on page 15.

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.

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 Fire Levy Fund, and General Bond Retirement 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 22-30 of this report.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 does not have any fiduciary funds.

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 31-91 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension and net OPEB liability/asset. The required supplementary information can be found on pages 92-107 of this report.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

Government-wide Financial Analysis

The table below provides a summary of the City’s net position for 2021 and 2020.

	Net Position	
	2021	2020
ASSETS		
Current and other assets	\$ 5,111,249	\$ 4,970,864
Capital assets, net	10,456,157	10,841,799
Net OPEB Asset	129,432	-
Total Assets	15,696,838	15,812,663
DEFERRED OUTFLOWS OF RESOURCES		
Pension	758,932	709,628
OPEB	369,499	435,208
Total Deferred Outflows of Resources	1,128,431	1,144,836
LIABILITIES		
Current liabilities	1,685,939	1,954,142
Long-term liabilities		
Due within one year	271,042	243,627
Due in more than one year:		
Net Pension Liability	3,723,915	3,897,668
Net OPEB Liability	414,220	1,386,892
Other Amounts	698,340	793,712
Total Liabilities	6,793,456	8,276,041
DEFERRED INFLOWS OF RESOURCES		
Property taxes	2,264,421	1,999,591
Pension	837,793	751,866
OPEB	617,856	364,918
Total Deferred Inflows of Resources	3,720,070	3,116,375
NET POSITION		
Net investment in capital assets	8,736,406	8,818,874
Restricted	795,346	881,833
Unrestricted	(3,220,009)	(4,135,624)
Total Net Position	\$ 6,311,743	\$ 5,565,083

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2021 and is reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.” The City previously adopted GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability, the net OPEB liability, to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
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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. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the City’s proportionate share of each plan’s collective:

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

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

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,311,743. At year-end, unrestricted net position had a deficit of \$3,220,009. A portion of the City's net position, \$822,685, represents resources that are subject to external restriction on how they may be used.

During 2021, the City had a decrease in deferred outflows of resources and net pension liability and net OPEB liability respectively by \$16,405, 173,753 and \$972,672, while the deferred inflows of resources increased by \$603,695. These changes were due to recording GASB Statement No 68 and 75 as previously discussed.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 66.61 percent of total assets. Capital assets include land, land improvements, buildings, furniture, fixtures and equipment, vehicles, and infrastructure. The net investment in capital assets component of net position at December 31, 2021, was \$8,736,406 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.

Current liabilities decreased from \$1,954,142 in 2020 to \$1,685,939 in 2021 due to the decrease in accounts payable. This decrease represented 13.72 percent from 2020.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

The table below shows the changes in net position for fiscal year 2021 and 2020.

	Changes in Net Position	
	<u>2021</u>	<u>2020</u>
REVENUES		
Program Revenues:		
Charges for services	\$ 386,027	\$ 337,436
Operating grants and contributions	620,930	873,877
Capital grants and contributions	69,785	724,681
Total Program Revenues	<u>1,076,742</u>	<u>1,935,994</u>
General Revenues:		
Property taxes	2,118,905	2,130,086
Municipal Income taxes	1,229,603	1,061,766
Other Taxes	1,225	-
Unrestricted grants and entitlements	631,592	595,369
Investment income	2,296	9,046
Gain on sale of capital assets	-	5,000
All other revenues	36,182	291,825
Total General Revenues	<u>4,019,803</u>	<u>4,093,092</u>
Total Revenues	<u>5,096,545</u>	<u>6,029,086</u>
EXPENSES		
Program Expenses:		
General government	683,000	885,883
Security of persons and property	2,581,107	3,292,228
Public health services	76,938	77,027
Transportation	942,026	1,264,495
Leisure time activities	32,599	41,886
Interest and fiscal charges	34,215	47,134
Total Expenses	<u>4,349,885</u>	<u>5,608,653</u>
Change in Net Position	746,660	420,433
Net Position - Beginning of Year	<u>5,565,083</u>	<u>5,144,650</u>
Net Position - End of Year	<u>\$ 6,311,743</u>	<u>\$ 5,565,083</u>

Governmental activities' net position increased \$746,660 in 2021. This increase is primarily due to revenues exceeding expenditures.

The state and federal government, along with similar agencies, contributed to the City a total of \$690,715 in operating/capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the operating/capital grants and contributions received, \$493,906 and \$138,347 respectively subsidized to transportation and security of persons and property programs.

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General revenues totaled \$4,019,803 and amounted to 78.87 percent of total governmental revenues. These revenues primarily consist of property and municipal income tax revenue of \$3,348,508. 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 \$631,592.

The provisions of GASB Statements 68 and 75 require the City to recognize a pension/OPEB adjustment that increase expenses by \$920,587 in 2021 and reduce expenses by \$273,355 in 2020. As a result, it is difficult to ascertain the true operational cost of services and the changes in cost of service from year to year. The table below shows the total cost of services by function with the GASB Statements 68 and 75 pension and OPEB costs removed.

	Governmental Activities	
	2021	2020
EXPENSES		
Program Expenses:		
Security of persons and property	\$ 2,907,001	\$ 3,069,429
Public health services	76,938	77,027
Leisure time activities	32,599	41,886
Transportation	1,249,423	1,236,842
General government	970,296	862,980
Interest and fiscal charges	34,215	47,134
Total Expenses	\$ 5,270,472	\$ 5,335,298

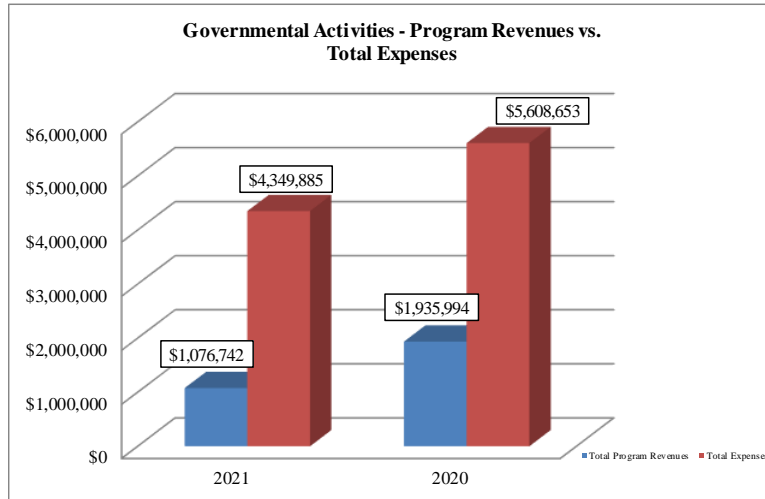
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,907,001, which accounted for 55.16 percent of the total expenses of the City. These expenses were partially funded by \$368,098 in direct charges to users of the services, operating grants and contributions and capital grants and contribution.

Transportation expenses totaled \$1,249,423, which accounted for 23.71 percent of the total expenses of the City. For 2021, depreciation expense of \$630,464 was 50.46 percent of the total Transportation expenses. General government expenses totaled \$970,296, which was partially funded by \$203,244 in direct charges to users of the services and operating grants and contributions.

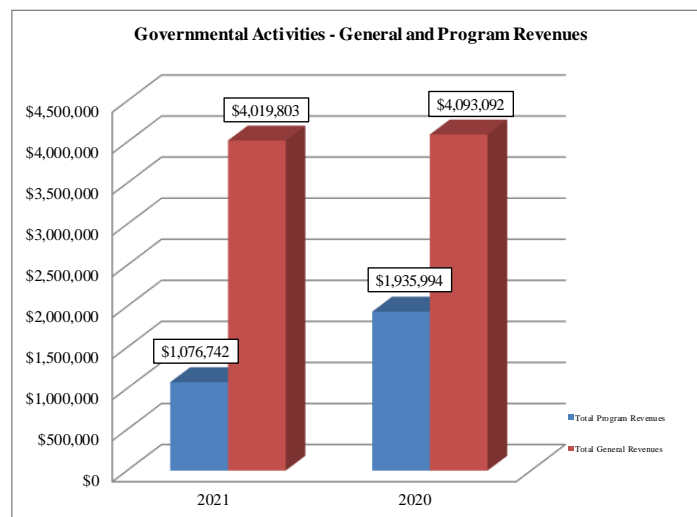
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table on the next page shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

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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.



	Governmental Activities			
	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
General government	\$ 683,000	\$ 479,756	\$ 885,883	\$ 507,045
Security of persons and property	2,581,107	2,213,009	3,292,228	2,476,718
Public health services	76,938	76,938	77,027	77,027
Transportation	942,026	438,260	1,264,495	669,564
Leisure time activities	32,599	30,965	41,886	(104,829)
Interest and fiscal charges	34,215	34,215	47,134	47,134
Total cost of service	\$ 4,349,885	\$ 3,273,143	\$ 5,608,653	\$ 3,672,659



**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

Financial Analysis of the City'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 \$467,225, which is \$92,212 more than last year's combined fund balance of \$375,013.

The schedule below indicates the fund balances (deficit) and the total change in fund balances as of December 31, 2021, for all major and nonmajor governmental funds.

	Fund Balances 12/31/2021	Fund Balances 12/31/2020	Increase (Decrease)
Major funds:			
General	\$ 880,943	\$ 987,579	\$ (106,636)
Safety forces levy	49,309	90,886	(41,577)
Fire levy	95,246	131,939	(36,693)
General Bond Retirement	(959,367)	(1,206,741)	247,374
Other nonmajor governmental funds	401,094	371,350	29,744
Total	<u>\$ 467,225</u>	<u>\$ 375,013</u>	<u>\$ 92,212</u>

General Fund

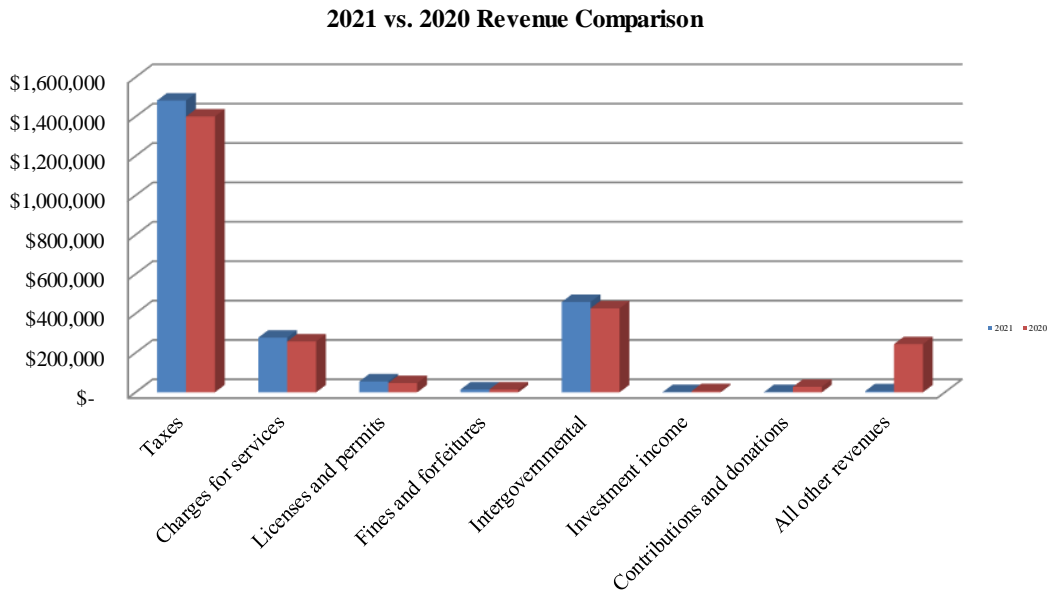
The City's General Fund balance decreased \$106,636, primarily due to decrease in revenues. The table that follows assists in illustrating the revenues of the General Fund.

	2021 Amount	2020 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 1,482,362	\$ 1,401,043	5.80%
Charges for services	277,868	258,434	7.52%
Licenses and permits	55,965	47,474	17.89%
Fines and forfeitures	14,603	14,858	-1.72%
Intergovernmental	459,169	426,804	7.58%
Investment income	1,619	6,648	-75.65%
Contributions and donations	1,500	28,170	-94.68%
All other revenues	5,966	245,040	-97.57%
Total	<u>\$ 2,299,052</u>	<u>\$ 2,428,471</u>	<u>-5.33%</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

Tax revenue represents 64.48 percent of all General Fund revenue. Income taxes increased due to the increase in collection. Intergovernmental increased due to ARPA monies in 2021. All other revenues decreased by \$239,074 during 2021 due to BWC reimbursements in 2020 for premium payment.

The following graphs show the breakdown of General Fund revenues for 2021 and 2020:



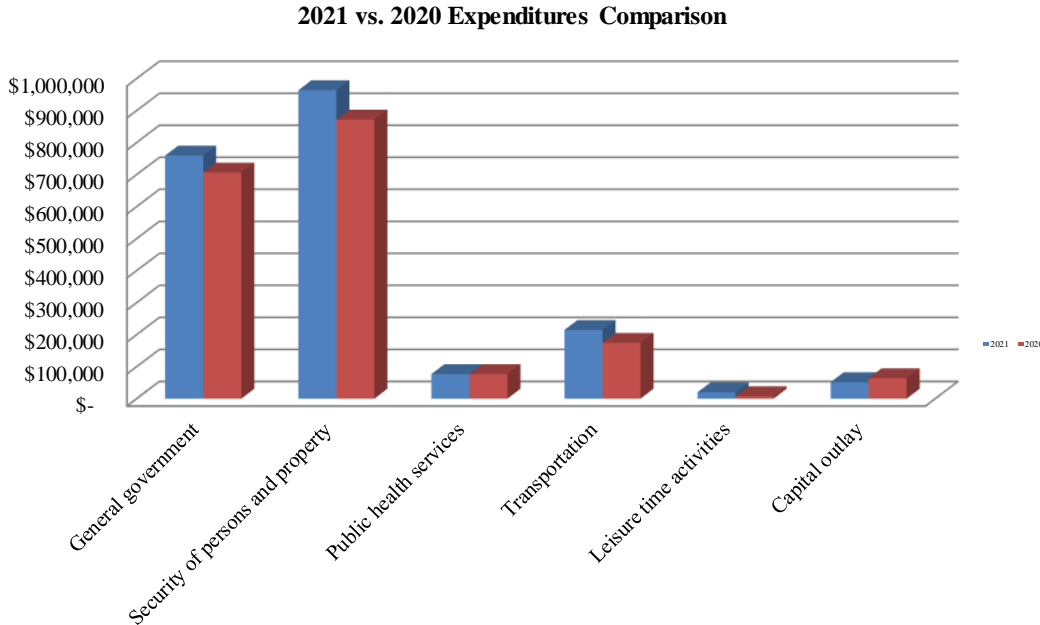
The table that follows assists in illustrating the expenditures of the General Fund.

<u>Expenditures</u>	<u>2021 Amount</u>	<u>2020 Amount</u>	<u>Percentage Change</u>
General government	\$ 759,386	\$ 706,141	7.54%
Security of persons and property	963,513	871,797	10.52%
Public health services	76,938	77,027	-0.12%
Transportation	214,650	174,344	23.12%
Leisure time activities	19,693	7,668	156.82%
Capital outlay	51,560	63,930	-19.35%
Total	\$ 2,085,740	\$ 1,900,907	9.72%

The most significant increase was in the area of leisure time activities because the City had more expense in recreation during 2021.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

The following graphs show the breakdown of General Fund expenditures for 2021 and 2020:



Safety Forces Levy Fund

The fund balance of the City’s Safety Forces Levy Fund decreased by \$41,577 primarily due to expense exceeding revenue. Revenues increased from \$645,398 in 2020 to \$651,588 in 2021. 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 increased from \$558,022 in 2020 to \$693,165 in 2021 because of a increase in security of persons and property expenses.

Fire Levy Fund

The fund balance of the City’s Fire Levy Fund decreased \$36,693, primarily due to a decrease in revenue. Revenues decreased from \$364,141 in 2020 to \$338,570 in 2021. 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 decreased from \$304,904 in 2020 to \$375,263 in 2021.

General Bond Retirement Fund

The fund balance of the City’s General Bond Retirement Fund increased by \$247,374 from a deficit fund balance of \$1,206,741 in 2020 to a deficit fund balance of \$959,367 in 2021. This increase is due a decrease in principal payment in 2021.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

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, and Fire Levy Fund. In the General Fund, actual revenues and other financing sources of \$2,326,406 were more than final budgeted revenues and other financing sources by \$203,455. Actual expenditures and other financing uses of \$2,387,723 were \$280,488 lower than the final budgeted amounts.

Capital Assets and Debt Administration

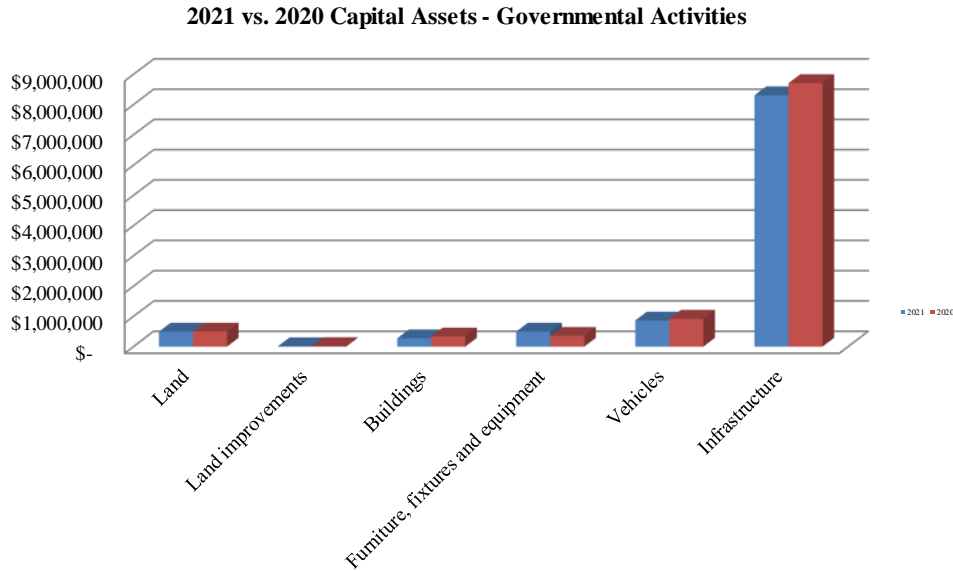
Capital Assets

At the end of 2021, the City had \$10,456,157 (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 2021 balances compared to 2020:

	Governmental Activities	
	2021	2020
Land	\$ 497,654	\$ 497,654
Land improvements	14,846	21,049
Buildings	273,927	336,160
Furniture, fixtures and equipment	496,814	356,783
Vehicles	865,117	920,676
Infrastructure	8,307,799	8,709,477
Total Capital Assets	\$ 10,456,157	\$ 10,841,799

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2021 and 2020:

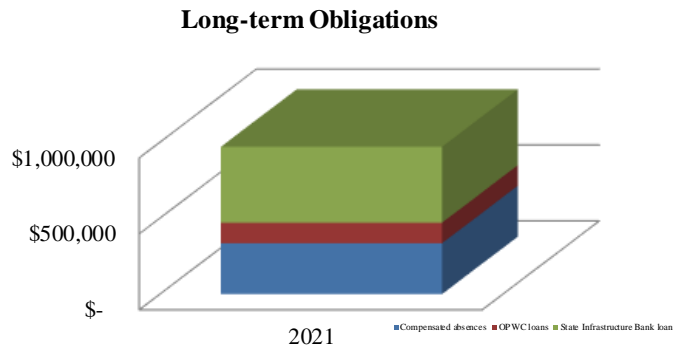


Debt Administration

The City had the following long-term obligations outstanding at December 31, 2021 and 2020. See Note 10 for details regarding the City's long-term obligations.

	2021	2020
Compensated absences	\$ 334,631	\$ 324,414
OPWC loans	135,210	144,758
State Infrastructure Bank loans	499,541	568,167
Total outstanding debt	\$ 969,382	\$ 1,037,339

A comparison of the long-term obligations of 2021 by category is depicted in the chart below.



**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

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. 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 Fund, Charter Fire Levy Fund, Charter Road Levy Fund and the State Highway Fund for the period ending December 31, 2021 increased from 2020. This increase in fund balance was due mostly from continued cost cutting and spending reductions. The CARES Act revenue and ARPA funding helped offset the additional expenses, resulting in increased balances to the operating funds.

The income tax collections increased during 2021 primarily due to the cyclical audit of collection reporting, which has captured revenue previously uncollected by the CCA-Division of Taxation.

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, 2021**

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 1,914,464
Cash and Cash Equivalents:	
In Segregated Accounts	8,134
Materials and Supplies Inventory	18,646
Accounts Receivable	21,762
Intergovernmental Receivable	492,263
Prepaid Items	18,954
Municipal Income Taxes Receivable	312,947
Property Taxes Receivable	2,316,099
Special Assessments Receivable	7,980
Nondepreciable Capital Assets	497,654
Depreciable Capital Assets	9,958,503
Net OPEB Asset	129,432
Total Assets	15,696,838
DEFERRED OUTFLOWS OF RESOURCES	
Pension	758,932
OPEB	369,499
Deferred Outflows of Resources	1,128,431
LIABILITIES	
Accounts Payable	90,196
Accrued Wages and Benefits	58,506
Intergovernmental Payable	5,076
Pension Obligation Payable	28,860
Accrued Interest Payable	7,868
Unearned Revenue	410,433
Notes Payable	1,085,000
Long-term Liabilities:	
Due within one year	271,042
Due in more than one year:	
Net Pension Liability (See Note 11)	3,723,915
Net OPEB Liability (See Note 12)	414,220
Other amounts	698,340
Total Liabilities	6,793,456
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	2,264,421
Pension	837,793
OPEB	617,856
Deferred Inflows of Resources	3,720,070
NET POSITION	
Net Investment in Capital Assets	8,736,406
Restricted for:	
Debt Services	143,358
Capital Projects	29,214
Street Construction, Maintenance and Repair	361,970
Fire and Safety Services	239,209
Other Purposes	21,595
Unrestricted	(3,220,009)
Total Net Position	\$ 6,311,743

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, 2021**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Security of Persons and Property	\$ 2,581,107	\$ 229,751	\$ 94,857	\$ 43,490	\$ (2,213,009)
Public Health Services	76,938	-	-	-	(76,938)
Leisure Time Activities	32,599	470	-	1,164	(30,965)
Transportation	942,026	9,860	468,775	25,131	(438,260)
General Government	683,000	145,946	57,298	-	(479,756)
Interest and Fiscal Charges	34,215	-	-	-	(34,215)
Total Governmental activities	\$ 4,349,885	\$ 386,027	\$ 620,930	\$ 69,785	(3,273,143)
General Revenues:					
Property Taxes levied for:					
General Purposes					334,956
Other Purposes					1,783,949
Municipal Income Taxes levied for:					
General Purposes					1,229,603
Other Taxes					1,225
Grants & Entitlements not restricted to specific programs					631,592
Investment Income					2,296
All Other Revenues					36,182
Total General Revenues					<u>4,019,803</u>
Change in Net Position					746,660
Net Position - Beginning of Year					5,565,083
Net Position - End of Year					\$ <u>6,311,743</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, 2021

	General	Safety Forces Levy	Fire Levy	General Bond Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$ 846,473	\$ 62,368	\$ 102,239	\$ 132,252	\$ 771,132	\$ 1,914,464
Cash and Cash Equivalents:				-		
In Segregated Accounts	3,309	2,928	34	-	1,863	8,134
Materials and Supplies Inventory	-	-	2,138	-	16,508	18,646
Accounts Receivable	17,802	-	500	-	3,460	21,762
Intergovernmental Receivable	196,861	41,702	18,568	-	235,132	492,263
Prepaid Items	14,995	-	900	-	3,059	18,954
Municipal Income Taxes Receivable	312,947	-	-	-	-	312,947
Property Taxes Receivable	387,266	645,444	283,598	-	999,791	2,316,099
Special Assessments Receivable	7,980	-	-	-	-	7,980
Total Assets	<u>\$ 1,787,633</u>	<u>\$ 752,442</u>	<u>\$ 407,977</u>	<u>\$ 132,252</u>	<u>\$ 2,030,945</u>	<u>\$ 5,111,249</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 74,484	\$ 2,928	\$ 1,503	\$ -	\$ 11,281	\$ 90,196
Accrued Wages and Benefits	32,691	13,059	1,667	-	11,089	58,506
Intergovernmental Payable	5,076	-	-	-	-	5,076
Pension Obligation Payable	18,490	-	7,395	-	2,975	28,860
Accrued Interest Payable	-	-	-	6,619	-	6,619
Notes Payable	-	-	-	1,085,000	-	1,085,000
Unearned Revenue	6,410	-	-	-	404,023	410,433
<i>Total Liabilities</i>	<u>137,151</u>	<u>15,987</u>	<u>10,565</u>	<u>1,091,619</u>	<u>429,368</u>	<u>1,684,690</u>
Deferred Inflows of Resources:						
Property Taxes	378,359	630,599	277,920	-	977,543	2,264,421
Unavailable Revenue - Delinquent Property Taxes	8,907	14,845	5,678	-	22,248	51,678
Unavailable Revenue - Income Taxes	215,547	-	-	-	-	215,547
Unavailable Revenue - Other	166,726	41,702	18,568	-	200,692	427,688
<i>Total Deferred Inflows of Resources</i>	<u>769,539</u>	<u>687,146</u>	<u>302,166</u>	<u>-</u>	<u>1,200,483</u>	<u>2,959,334</u>
Fund Balances:						
Nonspendable	14,995	-	3,038	-	19,567	37,600
Restricted	-	49,309	92,208	-	368,241	509,758
Committed	-	-	-	-	13,286	13,286
Assigned	733,470	-	-	-	-	733,470
Unassigned (Deficit)	132,478	-	-	(959,367)	-	(826,889)
<i>Total Fund Balances (Deficit)</i>	<u>880,943</u>	<u>49,309</u>	<u>95,246</u>	<u>(959,367)</u>	<u>401,094</u>	<u>467,225</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,787,633</u>	<u>\$ 752,442</u>	<u>\$ 407,977</u>	<u>\$ 132,252</u>	<u>\$ 2,030,945</u>	<u>\$ 5,111,249</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, 2021**

Total Governmental Fund Balances	\$	467,225
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		10,456,157
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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	51,678	
Municipal Income taxes	215,547	
Intergovernmental revenues	427,688	
Total		694,913

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(1,249)
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The net pension and net OPEB liability are not due and payable in the current period; and the net OPEB asset is not available for spending in the current period; therefore, the liability, asset, and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	758,932	
Deferred Inflows - Pension	(837,793)	
Net Pension Liability	(3,723,915)	
Deferred Outflows - OPEB	369,499	
Deferred Inflows - OPEB	(617,856)	
Net OPEB Asset	129,432	
Net OPEB Liability	(414,220)	
Total		(4,335,921)

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	(135,210)	
Compensated absences	(334,631)	
SIB loan	(499,541)	
Total		(969,382)

Net Position of Governmental Activities	\$	6,311,743
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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, 2021**

	General Fund	Safety Forces Levy	Fire Levy	General Bond Retirement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 340,798	\$ 567,997	\$ 300,985	\$ -	\$ 947,565	\$ 2,157,345
Municipal Income Taxes	1,141,564	-	-	-	-	1,141,564
Intergovernmental	459,169	83,403	37,136	-	741,476	1,321,184
Investment Income	1,619	188	156	-	333	2,296
Licenses and Permits	55,965	-	-	-	-	55,965
Fines and Forfeitures	14,603	-	-	-	5,853	20,456
Charges for Services	277,868	-	-	-	30,775	308,643
Contributions and Donations	1,500	-	-	-	-	1,500
All Other Revenues	5,966	-	293	-	30,124	36,383
Total Revenues	<u>2,299,052</u>	<u>651,588</u>	<u>338,570</u>	<u>-</u>	<u>1,756,126</u>	<u>5,045,336</u>
EXPENDITURES						
Security of Persons and Property	963,513	693,165	375,263	-	991,467	3,023,408
Public Health Services	76,938	-	-	-	-	76,938
Leisure Time Activities	19,693	-	-	-	1,045	20,738
Transportation	214,650	-	-	-	557,782	772,432
General Government	759,386	-	-	4,900	73,190	837,476
Capital Outlay	51,560	-	-	-	57,898	109,458
Debt Service:						
Principal Retirement	-	-	-	78,172	-	78,172
Interest and Fiscal Charges	-	-	-	34,554	-	34,554
Total Expenditures	<u>2,085,740</u>	<u>693,165</u>	<u>375,263</u>	<u>117,626</u>	<u>1,681,382</u>	<u>4,953,176</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>213,312</u>	<u>(41,577)</u>	<u>(36,693)</u>	<u>(117,626)</u>	<u>74,744</u>	<u>92,160</u>
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets	52	-	-	-	-	52
Transfers In	-	-	-	365,000	-	365,000
Transfers Out	(320,000)	-	-	-	(45,000)	(365,000)
Total Other Financing Sources (Uses)	<u>(319,948)</u>	<u>-</u>	<u>-</u>	<u>365,000</u>	<u>(45,000)</u>	<u>52</u>
Net Change in Fund Balances	(106,636)	(41,577)	(36,693)	247,374	29,744	92,212
Fund Balances (Deficit)- Beginning of Year	987,579	90,886	131,939	(1,206,741)	371,350	375,013
Fund Balances (Deficit)- End of Year	<u>\$ 880,943</u>	<u>\$ 49,309</u>	<u>\$ 95,246</u>	<u>\$ (959,367)</u>	<u>\$ 401,094</u>	<u>\$ 467,225</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, 2021**

Net Change in Fund Balances--Total Governmental Funds \$ 92,212

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 depreciation exceeded capital outlay in the current period.

Capital outlay	299,806	
Depreciation	<u>(630,464)</u>	
Total		(330,658)

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. (54,984)

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

Delinquent property taxes	(38,440)	
Municipal Income taxes	88,039	
Intergovernmental revenues	<u>1,610</u>	
Total		51,209

Repayment of long-term debt are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 78,174

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

Pension		360,269
OPEB		8,243

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

Pension		(223,139)
OPEB		775,214

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	(10,217)	
Accrued interest on bonds	<u>337</u>	
Total		<u>(9,880)</u>

Change in Net Position of Governmental Activities \$ 746,660

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 310,994	\$ 310,994	\$ 340,798	\$ 29,804
Municipal Income Taxes	1,098,818	1,098,818	1,204,124	105,306
Intergovernmental	390,889	390,889	428,350	37,461
Charges for Services	247,825	247,825	271,575	23,750
Licenses and Permits	52,932	52,932	58,005	5,073
Investment Income	1,477	1,477	1,619	142
Contributions and Donations	1,369	1,369	1,500	131
Fines and Forfeitures	13,156	13,156	14,417	1,261
All Other Revenues	5,444	5,444	5,966	522
TOTAL REVENUES	<u>2,122,904</u>	<u>2,122,904</u>	<u>2,326,354</u>	<u>203,450</u>
EXPENDITURES				
Current:				
Security of Persons and Property	1,143,705	1,143,705	921,209	222,496
Public Health Services	78,000	78,000	76,938	1,062
Leisure Time Activities	23,800	23,800	18,463	5,337
Transportation	256,200	256,200	228,761	27,439
General Government	842,206	846,506	822,352	24,154
TOTAL EXPENDITURES	<u>2,343,911</u>	<u>2,348,211</u>	<u>2,067,723</u>	<u>280,488</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(221,007)</u>	<u>(225,307)</u>	<u>258,631</u>	<u>483,938</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assets	47	47	52	5
Transfers Out	(320,000)	(320,000)	(320,000)	-
Total Other Financing Sources (Uses)	<u>(319,953)</u>	<u>(319,953)</u>	<u>(319,948)</u>	<u>5</u>
Net Change in Fund Balance	(540,960)	(545,260)	(61,317)	483,943
Fund Balance - Beginning of Year	852,675	852,675	852,675	-
Prior Year Encumbrances Appropriated	4,828	4,828	4,828	-
Fund Balance - End of Year	<u>\$ 316,543</u>	<u>\$ 312,243</u>	<u>\$ 796,186</u>	<u>\$ 483,943</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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 530,074	\$ 530,074	\$ 567,997	\$ 37,923
Intergovernmental	77,835	77,835	83,403	5,568
Investment Income	175	175	188	13
TOTAL REVENUES	<u>608,084</u>	<u>608,084</u>	<u>651,588</u>	<u>43,504</u>
EXPENDITURES				
Current:				
Security of Persons and Property	708,400	708,400	681,221	27,179
TOTAL EXPENDITURES	<u>708,400</u>	<u>708,400</u>	<u>681,221</u>	<u>27,179</u>
Net Change in Fund Balance	(100,316)	(100,316)	(29,633)	70,683
Fund Balance - Beginning of Year	92,001	92,001	92,001	-
Fund Balance - End of Year	<u>\$ (8,315)</u>	<u>\$ (8,315)</u>	<u>\$ 62,368</u>	<u>\$ 70,683</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, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 280,741	\$ 280,741	\$ 300,985	\$ 20,244
Intergovernmental	34,638	34,638	37,136	2,498
Investment Income	146	146	156	10
All Other Revenues	273	273	293	20
TOTAL REVENUES	<u>315,798</u>	<u>315,798</u>	<u>338,570</u>	<u>22,772</u>
EXPENDITURES				
Current:				
Security of Persons and Property	432,615	432,615	409,278	23,337
TOTAL EXPENDITURES	<u>432,615</u>	<u>432,615</u>	<u>409,278</u>	<u>23,337</u>
Net Change in Fund Balance	(116,817)	(116,817)	(70,708)	46,109
Fund Balance - Beginning of Year	127,551	127,551	127,551	-
Prior Year Encumbrances Appropriated	9,848	9,848	9,848	-
Fund Balance - End of Year	<u>\$ 20,582</u>	<u>\$ 20,582</u>	<u>\$ 66,691</u>	<u>\$ 46,109</u>

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, 2021

NOTE 1: DESCRIPTION OF THE CITY

The City of Mentor-on-the-Lake, Lake County, 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 19 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, 2021
(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, 2021
(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.

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

General Bond Retirement Fund- The Obligation Bond Retirement Fund accounts for all transactions relating to the City's debt financing for capital improvements and asset purchases.

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, 2021
(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 (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City has no fiduciary funds.

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.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021
(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 and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 11 and Note 12.

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, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance year 2022 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 and entitlements. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (See Note 11 and Note 12).

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, 2021
(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 2021.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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 2021, 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, 2021
(CONTINUED)

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

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

For 2021, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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 2021 amounted to \$1,619, which includes \$608 assigned from other funds.

The City has segregated bank accounts for monies held separate from the City's bank account. These interest bearing depository accounts are presented on the balance sheet as "Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury.

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, 2021
(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, 2021
(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, 2021.

J. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2021, 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 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefits payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

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

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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, 2021
(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, 2021
(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.

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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

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

P. **Net Position**

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 2021.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

During the year, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. These changes were incorporated in the City's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. The objective of this Statement is to establish the term annual comprehensive financial report and its acronym *ACFR*. These changes were incorporated in the City's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Implementation Guide 2019-1, *Update*. These changes were incorporated in the City's financial statements; however, there was no effect on the beginning net position/fund balance.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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;

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

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;
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.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

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

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.

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, 2021, the carrying amount of the City’s deposits was \$1,558,782 (including \$8,134 in cash in segregated accounts of the court). Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2021, \$330,116 of the City’s bank balance of \$1,593,758 was covered by Federal Depository Insurance and \$1,263,642 was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the City’s name.

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 the possession of an outside party. Protection of the City’s cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be 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 institutions. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of the City’s financial institutions had enrolled in OPCS as of December 31, 2021.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021. As previously discussed, STAR Ohio is reported at its net asset value.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer.

As of December 31, 2021, the City had the following investments, maturities and percentage :

<u>Investment Type</u>	<u>NAV</u>	<u>Investment Maturities 100% 6 Months or Less</u>
STAR Ohio	<u>\$ 363,206</u>	<u>\$ 363,206</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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021:

<u>Cash and Investments per Note</u>	
Cash on Hand	\$ 610
Carrying Amount of Deposits	1,558,782
Investments	<u>363,206</u>
Total Cash and Investments per Note	<u>\$ 1,922,598</u>
 <u>Cash and Cash Equivalents per Statements</u>	
Governmental Activities	<u>\$ 1,922,598</u>
Total Cash and Investments per Statements	<u>\$ 1,922,598</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. 2020 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 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, 2021
(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, 2021, was \$27.80 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2021 property tax receipts were based are as follows:

Real Property Tax	\$ 162,209,590
Public Utility Tangible Personal Property Tax	<u>6,585,010</u>
Total Assessed Valuation	<u>\$ 168,794,600</u>

Property taxes receivables represent real and public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2021. 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 \$1,141,564 on the modified accrual basis for fiscal year 2021.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2021, 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, 2021.

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

<u>Governmental Activities</u>	
Property Taxes	\$ 2,316,099
Municipal Income Taxes	312,947
Accounts	21,762
Special Assessments	7,980
Intergovernmental:	
Homestead & Rollback Reimbursements	119,835
Local Government	170,632
Gasoline & Excise Taxes/Auto Registration	199,078
Other	2,718

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, 2021
(CONTINUED)

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balances 12/31/2020	Additions	Disposals	Balances 12/31/2021
Governmental Activities				
Nondepreciable Assets:				
Land	\$ 497,654	\$ -	\$ -	\$ 497,654
Total Nondepreciable Assets	497,654	-	-	497,654
Depreciable Assets:				
Land Improvements	234,577	-	-	234,577
Buildings	845,417	6,300	(47,230)	804,487
Furniture, fixtures and equipment	753,563	198,508	(12,500)	939,571
Vehicles	1,891,858	45,110	(37,225)	1,899,743
Infrastructure:				
Roads	9,007,837	49,888	-	9,057,725
Storm sewers	3,372,186	-	-	3,372,186
Total Depreciable Assets	16,105,438	299,806	(96,955)	16,308,289
Less Accumulated Depreciation				
Land Improvements	(213,528)	(6,203)	-	(219,731)
Buildings	(509,257)	(21,303)	-	(530,560)
Furniture, fixtures and equipment	(396,780)	(57,344)	11,367	(442,757)
Vehicles	(971,182)	(94,048)	30,604	(1,034,626)
Infrastructure:				
Roads	(3,322,723)	(382,735)	-	(3,705,458)
Storm sewers	(347,823)	(68,831)	-	(416,654)
Total Accumulated Depreciation	(5,761,293)	(630,464) *	41,971	(6,349,786)
Total Depreciable Assets, Net	10,344,145	(330,658)	(54,984)	9,958,503
Governmental Activities Capital Assets, Net	\$ 10,841,799	\$ (330,658)	\$ (54,984)	\$ 10,456,157

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

Security of Persons and Property:	\$ 98,888
Leisure Time Activities	11,861
Transportation	497,971
General Government	21,744
Total Depreciation Expense	<u>\$ 630,464</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 8: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2021, 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 Bond Retirement	\$ 320,000	\$ 45,000	\$ 365,000
	<u>\$ 320,000</u>	<u>\$ 45,000</u>	<u>\$ 365,000</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.

NOTE 9- SHORT-TERM OBLIGATIONS

The original issue date, interest rate, original issuance amount and maturity date for the City's short-term obligations follows:

	<u>Interest Rate</u>	<u>Balance 12/31/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2021</u>
Various purpose improvements Anticipation Notes, 2020,	1.75%	\$ 1,310,000	\$ -	\$ (1,310,000)	\$ -
Various Purpose Improvement Anticipation Notes, 2021,	1.22%	-	1,085,000	-	1,085,000
Total Notes Payable		<u>\$ 1,310,000</u>	<u>\$ 1,085,000</u>	<u>\$ (1,310,000)</u>	<u>\$ 1,085,000</u>

On June 10, 2021, the City issued \$1,085,000 in various purpose and refunding bond anticipation notes at 1.22 percent that will mature June 10, 2022. The proceeds were used to retire previously issued notes within the Governmental Activities Fund. The total of \$1,085,000 of the notes are considered short-term.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 10: LONG-TERM OBLIGATIONS

A. Changes in Governmental Activities' Long-Term Obligations

During the fiscal year 2021, the following changes occurred in the City's governmental activities' long-term obligations:

	Interest Rate	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Amounts Due in One Year
Governmental Activities:						
<u>Direct Borrowing and</u>						
<u>Direct Placement of Debt</u>						
<u>OPWC Loans:</u>						
2004 - 20 years						
OPWC 04 (Holly Dr.)	0%	26,342	-	(3,293)	23,049	9,883
2005 - 20 years						
OPWC 05 (Weber Area)	0%	11,272	-	(1,127)	10,145	3,380
2007 - 20 years						
OPWC 07 (SR 283)	0%	56,250	-	(3,750)	52,500	11,250
2018 - 20 years						
OPWC 18 (Pinehurst Dr.)	0%	46,250	-	(1,250)	45,000	3,750
2018 - 20 years						
OPWC 18 (Lake St. Trunk)	0%	4,644	-	(128)	4,516	386
Total OPWC Loans		144,758	-	(9,548)	135,210	28,649
<u>Other Long-Term Obligations:</u>						
SIB Loan # 070B10	3%	568,167	-	(68,626)	499,541	70,698
Compensated absences		324,414	168,136	(157,919)	334,631	171,695
Net Pension Liability:						
OPERS		1,469,381	-	(410,622)	1,058,759	-
OP&F		2,428,287	236,869	-	2,665,156	-
Total Net Pension Liability		3,897,668	236,869	(410,622)	3,723,915	-
Net OPEB Liability:						
OPERS		1,030,834		(1,030,834)	-	-
OP&F		356,058	58,162	-	414,220	-
Total Net OPEB Liability		1,386,892	58,162	(1,030,834)	414,220	-
Total Other Long-Term Obligations		6,177,141	463,167	(1,668,001)	4,972,307	242,393
Total Governmental Activities						
Long-Term Obligations		\$ 6,321,899	\$ 463,167	\$ (1,677,549)	\$ 5,107,517	\$ 271,042

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

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

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. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund, Fire Levy and SCMR. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

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.

The City’s total direct borrowings from OPWC contain a provision that in an event of default the amount of such default shall bear interest thereafter at the rate of 8 percent per annum until the date of payment, and outstanding amounts become immediately due. Also, OPWC may direct the county treasurer to pay the outstanding amount from portion of the local government fund that would otherwise be appropriated to the City.

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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 10: **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, 2021, are as follows:

Year	OPWC Loans	SIB Loan	
	Principal	Principal	Interest
2022	28,649	70,698	14,462
2023	19,098	72,838	12,326
2024	19,092	75,039	10,124
2025	12,515	77,307	7,856
2026	10,258	79,644	5,520
2027-2031	25,040	124,015	3,744
2032-2036	13,790	-	-
2037-2039	6,768	-	-
Total	<u>\$ 135,210</u>	<u>\$ 499,541</u>	<u>\$ 54,032</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, 2021, the City's total debt margin was \$15,063,289 and the unvoted debt margin was \$6,623,559.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 11: **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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 11: **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' Annual Comprehensive Financial Report referenced above for additional information):

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 11: **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 62 with 60 months of service credit or Age 57 with 25 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. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

When a traditional plan 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 11: **PENSION PLAN** (Continued)

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

A death benefit of \$500-2,500 determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care. The date of implementation will be determined when finalized changes are approved.

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

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

NOTE 11: **PENSION PLAN** (Continued)

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

Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan) and the combined plan will no longer be available for new hires beginning in 2022.

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2021 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
 Employee	 10.0 %

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2021 for the Traditional and Combined plans. The portion of the employer's contribution allocated to health care was 4% for the Member-Directed plan for 2021. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$139,120 for 2021. Of this amount, \$11,645 is reported as pension obligation payable.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 11: **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.

Legislation 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. Members participating in the DROP program have separate eligibility requirements related to COLA.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 11: **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, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members' base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

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

	Police	Firefighters
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$221,149 for 2021. Of this amount, \$17,217 is reported as pension obligation payable.

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

NOTE 11: **PENSION PLAN** (Continued)

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

OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. 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	0.007434%	0.0225305%	0.0135161%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.007150%</u>	<u>0.0243437%</u>	<u>0.0147515%</u>	
Change in Proportionate Share	<u>-0.000284%</u>	<u>0.0018133%</u>	<u>0.0012354%</u>	
Proportionate Share of the Net Pension Liability	\$ 1,058,759	\$ 1,659,533	\$ 1,005,623	\$ 3,723,915
Pension Expense	\$ (51,021)	\$ 140,325	\$ 133,835	\$ 223,139

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F Police	OP&F Fire	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ -	\$ 69,371	\$ 42,035	\$ 111,406
Changes of assumptions	-	27,830	16,865	44,695
Changes in proportion and differences between City contributions and proportionate share of contributions	-	147,024	95,538	242,562
City contributions subsequent to the measurement date	<u>139,120</u>	<u>132,044</u>	<u>89,105</u>	<u>360,269</u>
Total Deferred Outflows of Resources	<u>\$ 139,120</u>	<u>\$ 376,269</u>	<u>\$ 243,543</u>	<u>\$ 758,932</u>
Deferred Inflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 412,673	\$ 80,500	\$ 48,781	\$ 541,954
Differences between expected and actual experience	44,289	64,652	39,178	148,119
Changes in proportion and differences between City contributions and proportionate share of contributions	41,902	90,027	15,791	147,720
Total Deferred Inflows of Resources	<u>\$ 498,864</u>	<u>\$ 235,179</u>	<u>\$ 103,750</u>	<u>\$ 837,793</u>

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

NOTE 11: **PENSION PLAN** (Continued)

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

\$360,269 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F Police</u>	<u>OP&F Fire</u>	<u>Total</u>
Year Ending December 31:				
2022	\$ (202,880)	\$ 10,833	\$ 29,441	\$ (162,606)
2023	(71,482)	42,038	31,797	2,353
2024	(168,221)	(67,148)	(30,719)	(266,088)
2025	(56,281)	8,585	12,164	(35,532)
2026	-	14,738	8,005	22,743
Total	<u>\$ (498,864)</u>	<u>\$ 9,046</u>	<u>\$ 50,688</u>	<u>\$ (439,130)</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, 2020, 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.

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

NOTE 11: **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; 0.50 percent, simple through 2021, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

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

NOTE 11: **PENSION PLAN** (Continued)

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

OPERS manages investments in investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. 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 was 11.7 percent for 2020.

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 2020 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	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other investments	9.00	4.75
Total	<u>100.00 %</u>	5.43 %

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

NOTE 11: **PENSION PLAN** (Continued)

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

Discount Rate The discount rate used to measure the total pension liability was 7.2 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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 2,019,589	\$ 1,058,759	\$ 259,831

Changes Between Measurement Date and Report Date

Cost-of living adjustments for OPERS members in 2022 will be 3 percent for all those eligible to receive the annual benefit increase.

F. **Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2020 is based on the results of an actuarial valuation date of January 1, 2020, 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 11: **PENSION PLAN** (Continued)

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

Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2020, are presented below:

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple, 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

NOTE 11: **PENSION PLAN** (Continued)

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

The most recent experience study was completed December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2020 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic Equity	21.00 %	5.40 %
International Equity	14.00	5.80
Core Fixed Income *	23.00	2.70
U.S. Inflation Linked Bonds *	17.00	2.50
High Yield Fixed Income	7.00	4.70
Private Real Estate	12.00	6.40
Private Markets	8.00	8.00
Midstream Energy Infrastructure	5.00	6.60
Private Credit	5.00	5.50
Real Assets	8.00	7.40
Gold	5.00	1.90
 Total	 <u>125.00 %</u>	

Note: Assumptions are geometric

* levered 2x

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

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

NOTE 11: **PENSION PLAN** (Continued)

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 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 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 3,710,239	\$ 2,665,156	\$ 1,790,528

NOTE 12: **DEFINED BENEFIT OPEB PLANS**

A. **Net OPEB Liability/Asset**

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

A. **Net OPEB Liability/Asset** (Continued)

The net OPEB liability/asset represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset 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 these estimates annually.

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

GASB 75 assumes that any liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

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

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,872 for 2021.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) a cost-sharing, multiple-employer defined post-employment healthcare plan that provides various levels of health care to retired, disabled and beneficiaries, as well as their dependents. On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place.

**CITY OF MENTOR-ON-THE-LAKE
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NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses. As a result of this change, it is expected that the solvency of the Health Care Stabilization Fund (HCSF) will be extended allowing OP&F to provide stipends to eligible participants.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

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

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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. For 2021, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll.

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

The City's contractually required contribution to OP&F was \$5,371 for 2021.

D. OPEB Liabilities/Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB asset and total OPEB asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020.

The City's proportion of the net OPEB liability/asset was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.007463%	0.0360465%	
Proportion of the Net OPEB Liability/Asset			
Current Measurement Date	<u>0.007265%</u>	<u>0.0390952%</u>	
Change in Proportionate Share	<u>-0.000198%</u>	<u>0.0030487%</u>	
 Proportionate Share of the Net OPEB			
Liability/(Asset)	\$ (129,432)	\$ 414,220	\$ 284,788
OPEB Expense	\$ (810,738)	\$ 35,524	\$ (775,214)

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

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. OPEB Liabilities/Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes of assumptions	\$ 63,628	\$ 228,834	\$ 292,462
Changes in proportion and differences between City contributions and proportionate share of contributions	-	68,794	68,794
City contributions subsequent to the measurement date	<u>2,872</u>	<u>5,371</u>	<u>8,243</u>
Total Deferred Outflows of Resources	<u>\$ 66,500</u>	<u>\$ 302,999</u>	<u>\$ 369,499</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 68,940	\$ 15,394	\$ 84,334
Differences between expected and actual experience	116,811	68,326	185,137
Changes of assumptions	209,719	66,033	275,752
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>18,531</u>	<u>54,102</u>	<u>72,633</u>
Total Deferred Inflows of Resources	<u>\$ 414,001</u>	<u>\$ 203,855</u>	<u>\$ 617,856</u>

\$8,243 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2022	\$ (185,536)	\$ 13,674	\$ (171,862)
2023	(126,755)	17,319	(109,436)
2024	(29,959)	11,573	(18,386)
2025	(8,123)	15,640	7,517
2026	-	6,079	6,079
Thereafter	<u>-</u>	<u>5,752</u>	<u>5,752</u>
Total	<u>\$ (350,373)</u>	<u>\$ 70,037</u>	<u>\$ (280,336)</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	6.00 percent
Prior Measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.00 percent
Prior Measurement date	2.75 percent
Health Care Cost Trend Rate:	
Current measurement date	8.5 percent, initial 3.50 percent, ultimate in 2035
Prior Measurement date	10.5 percent, initial 3.50 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

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

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions – OPERS (Continued)

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

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

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future 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.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 10.50 percent for 2020.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit.

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

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

The table below displays the Board-approved asset allocation policy for 2020 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	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	4.43 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 2.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

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

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	\$ (32,184)	\$ (129,432)	\$ (209,377)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ (132,586)	\$ (129,432)	\$ (125,902)

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

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. Actuarial Assumptions– OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	2.96 percent
Prior measurement date	3.56 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

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

NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2020, are summarized on the next page:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic Equity	21.00 %	5.40 %
Non-US Equity	14.00	5.80
Core Fixed Income *	23.00	2.70
U.S. Inflation Linked Bonds *	17.00	2.50
High Yield Fixed Income	7.00	4.70
Private Real Estate	12.00	6.40
Private Markets	8.00	8.00
Midstream Energy Infrastructure	5.00	6.60
Private Credit	5.00	5.50
Real Assets	8.00	7.40
Gold	5.00	1.90
Total	<u>125.00 %</u>	

Note: Assumptions are geometric
* levered 2x

OP&F’s Board of Trustees has incorporated the risk parity concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the 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 in core fixed income and U.S. inflation linked bonds and the implementation approach for gold.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

Discount Rate The total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020 and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$ 516,509	\$ 414,220	\$ 329,844

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

CITY OF MENTOR-ON-THE-LAKE
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13: **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
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NOTE 14: **CONTINGENCIES**

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, 2021.

NOTE 15: **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.

NOTE 16: **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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 16: **BUDGETARY BASIS OF ACCOUNTING** (Continued)

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.

	General	Safety Forces Levy	Fire Levy
Budget basis	\$ (61,317)	\$ (29,633)	\$ (70,708)
Net adjustment of revenue accruals	(27,302)	-	-
Net adjustment of expenditure accruals	(68,305)	(11,944)	(1,534)
Adjustment for encumbrances	50,288	-	35,549
GAAP basis	\$ (106,636)	\$ (41,577)	\$ (36,693)

NOTE 17: **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 on the next page .

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 17: FUND BALANCES (Continued)

Fund Balances	General	Safety Forces Levy	Fire Levy	General Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>						
Prepaid Items	\$ 14,995	\$ -	\$ 900	\$ -	\$ 3,059	\$ 18,954
Materials and Supplies Inventory	-	-	2,138	-	16,508	18,646
<i>Total Nonspendable</i>	<u>14,995</u>	<u>-</u>	<u>3,038</u>	<u>-</u>	<u>19,567</u>	<u>37,600</u>
<i>Restricted for</i>						
Police Pension	-	-	-	-	3,786	3,786
Safety Services	-	49,309	92,208	-	83,685	225,202
Other Law Enforcement	-	-	-	-	8,238	8,238
EMS Grant	-	-	-	-	237	237
FEMA Grants	-	-	-	-	1	1
ODNR Grant	-	-	-	-	422	422
Streets and Highways	-	-	-	-	214,273	214,273
Stormwater Grants	-	-	-	-	15,200	15,200
Fire Grants	-	-	-	-	9,392	9,392
Fire Equipment	-	-	-	-	8,472	8,472
Other Grants	-	-	-	-	20	20
Debt Service	-	-	-	-	18,974	18,974
OPWC Capital Projects	-	-	-	-	5,541	5,541
<i>Total Restricted</i>	<u>-</u>	<u>49,309</u>	<u>92,208</u>	<u>-</u>	<u>368,241</u>	<u>509,758</u>
<i>Committed to</i>						
McMinn Memorial Park	-	-	-	-	413	413
Labor Day Parade	-	-	-	-	1,119	1,119
Toys for Kids Program	-	-	-	-	11,165	11,165
Municipal Complex Renovations	-	-	-	-	1	1
Radio Equipment	-	-	-	-	588	588
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,286</u>	<u>13,286</u>
<i>Assigned to</i>						
Planned 2021 Appropriations	733,230	-	-	-	-	733,230
General Government	240	-	-	-	-	240
<i>Total Assigned</i>	<u>733,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>733,470</u>
<i>Unassigned (Deficit)</i>						
	132,478	-	-	(959,367)	-	(826,889)
<i>Total Fund Balances</i>	<u>\$ 880,943</u>	<u>\$ 49,309</u>	<u>\$ 95,246</u>	<u>\$ (959,367)</u>	<u>\$ 401,094</u>	<u>\$ 467,225</u>

NOTE 18: 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, 2021, the City's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
Major Funds:	
General	\$ 50,288
Fire Levy	35,549
Nonmajor Funds:	
Special Revenue Funds	52,744
Total	<u>\$ 138,581</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

NOTE 19: 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 240 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 Chuck Keiper, Executive Director, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

NOTE 20: ACCOUNTABILITY

Fund balances at December 31, 2021 included the following individual fund deficit:

	Deficit
Major Governmental Fund:	
General Bond Retirement	\$ 959,367
Total Major Governmental Funds	959,367

The General Fund is liable for any deficits in this fund and provides transfers when cash is required not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities in accordance with generally accepted accounting principles (GAAP).

NOTE 21: COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)

NOTE 22: **SUBSEQUENT EVENT**

In 2022, the City issued \$875,000 in bond anticipation notes maturing in 2023 for capital projects and equipment purchases.

**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 EIGHT YEARS (1)**

Traditional Plan	2021	2020	2019
City's Proportion of the Net Pension Liability	0.007150%	0.007434%	0.007488%
City's Proportionate Share of the Net Pension Liability	\$ 1,058,759	\$ 1,469,381	\$ 2,050,811
City's Covered Payroll	\$ 1,007,064	\$ 1,045,957	\$ 1,011,407
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.13%	140.48%	202.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%

(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.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.008222%	0.008703%	0.020318%	0.020421%	0.020421%
\$ 1,289,872	\$ 1,976,303	\$ 1,505,391	\$ 1,072,354	\$ 1,048,133
\$ 1,089,638	\$ 1,125,100	\$ 1,081,725	\$ 1,093,650	\$ 1,167,546
118.38%	175.66%	139.17%	98.05%	89.77%
84.66%	77.25%	81.08%	86.45%	86.36%

**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 EIGHT YEARS (1)**

Police	2021	2020	2019
City's Proportion of the Net Pension Liability	0.0243437%	0.0225305%	0.0239150%
City's Proportionate Share of the Net Pension Liability	\$ 1,659,533	\$ 1,517,773	\$ 1,952,096
City's Covered Payroll	\$ 662,395	\$ 594,200	\$ 600,863
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	250.54%	255.43%	324.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%
Fire	2021	2020	2019
City's Proportion of the Net Pension Liability	0.0147515%	0.0135161%	0.0136990%
City's Proportionate Share of the Net Pension Liability	\$ 1,005,623	\$ 910,514	\$ 1,118,200
City's Covered Payroll	\$ 326,128	\$ 303,489	\$ 279,643
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	308.35%	300.02%	399.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%

(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.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.0224830%	0.0239790%	0.0231850%	0.0241208%	0.0241208%
\$ 1,379,896	\$ 1,518,808	\$ 1,491,501	\$ 1,249,558	\$ 1,174,759
\$ 545,668	\$ 572,858	\$ 544,053	\$ 499,816	\$ 523,204
252.88%	265.13%	274.15%	250.00%	224.53%
70.91%	68.36%	66.77%	71.71%	73.00%
2018	2017	2016	2015	2014
0.0136200%	0.0141250%	0.0123310%	0.0090013%	0.0090013%
\$ 835,933	\$ 894,691	\$ 793,237	\$ 466,305	\$ 438,392
\$ 268,583	\$ 274,183	\$ 223,694	\$ 184,698	\$ 188,843
311.24%	326.31%	354.61%	252.47%	232.15%
70.91%	68.36%	66.77%	71.71%	73.00%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contributions	\$ 139,120	\$ 140,989	\$ 146,434
Contributions in Relation to the Contractually Required Contribution	<u>(139,120)</u>	<u>(140,989)</u>	<u>(146,434)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 993,714	\$ 1,007,064	\$ 1,045,957
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%

(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.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$ 141,597	\$ 141,653	\$ 135,012	\$ 129,807	\$ 131,238	\$ 151,781
(141,597)	(141,653)	(135,012)	(129,807)	(131,238)	(151,781)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,011,407	\$ 1,089,638	\$ 1,125,100	\$ 1,081,725	\$ 1,093,650	\$ 1,167,546
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Contractually Required Contributions</u>				
Police	\$ 132,044	\$ 125,855	\$ 112,898	\$ 114,164
Fire	89,105	76,640	71,320	65,716
Total Required Contributions	\$ 221,149	\$ 202,495	\$ 184,218	\$ 179,880
Contributions in Relation to the Contractually Required Contribution	(221,149)	(202,495)	(184,218)	(179,880)
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll				
Police	\$ 694,968	\$ 662,395	\$ 594,200	\$ 600,863
Fire	\$ 379,170	\$ 326,128	\$ 303,489	\$ 279,643
<u>Pension Contributions as a Percentage of Covered Payroll</u>				
Police	19.00%	19.00%	19.00%	19.00%
Fire	23.50%	23.50%	23.50%	23.50%

[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.

See accompanying notes to the required supplementary information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 103,677	\$ 108,843	\$ 103,370	\$ 94,965	\$ 82,300	\$ 65,564
<u>63,117</u>	<u>64,433</u>	<u>52,568</u>	<u>43,404</u>	<u>38,203</u>	<u>32,272</u>
\$ 166,794	\$ 173,276	\$ 155,938	\$ 138,369	\$ 120,503	\$ 97,836
<u>(166,794)</u>	<u>(173,276)</u>	<u>(155,938)</u>	<u>(138,369)</u>	<u>(120,503)</u>	<u>(97,836)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 545,668	\$ 572,858	\$ 544,053	\$ 499,816	\$ 523,204	\$ 514,227
\$ 268,583	\$ 274,183	\$ 223,694	\$ 184,698	\$ 188,843	\$ 187,084
19.00%	19.00%	19.00%	19.00%	[1]	12.75%
23.50%	23.50%	23.50%	23.50%	[1]	17.25%

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

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability/Asset	0.007265%	0.007463%	0.007538%	0.007920%	0.008310%
City's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (129,432)	\$ 1,030,834	\$ 982,777	\$ 860,054	\$ 839,338
City's Covered Payroll	\$ 1,098,750	\$ 1,127,571	\$ 1,093,334	\$ 1,121,459	\$ 1,148,293
City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-11.78%	91.42%	89.89%	76.69%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	115.57%	47.80%	46.33%	54.14%	54.04%

(1) Information prior to 2017 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 calendar year end.

See accompanying notes to the required supplementary information

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

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0390952%	0.0360465%	0.0376137%	0.0361030%	0.0381000%
City's Proportionate Share of the Net OPEB Liability	\$ 414,220	\$ 356,058	\$ 342,530	\$ 2,045,568	\$ 1,808,521
City's Covered Payroll	\$ 988,523	\$ 897,689	\$ 880,506	\$ 814,251	\$ 847,041
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	41.90%	39.66%	38.90%	251.22%	213.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.42%	47.08%	46.57%	14.13%	15.96%

(1) Information prior to 2017 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 calendar year end.

See accompanying notes to the required supplementary information

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

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 2,872	\$ 2,748	\$ 2,922	\$ 3,277	\$ 4,574	\$ 23,430	\$ 21,634
Contributions in Relation to the Contractually Required Contribution	(2,872)	(2,748)	(2,922)	(3,277)	(4,574)	(23,430)	(21,634)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,099,771	\$ 1,098,750	\$ 1,127,571	\$ 1,093,334	\$ 1,121,459	\$ 1,148,293	\$ 1,105,186
Contributions as a Percentage of Covered Payroll	0.26%	0.25%	0.26%	0.30%	0.41%	2.04%	1.96%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 5,371	\$ 4,943	\$ 4,488	\$ 4,402
Contributions in Relation to the Contractually Required Contribution	<u>(5,371)</u>	<u>(4,943)</u>	<u>(4,488)</u>	<u>(4,402)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ -	\$ 988,523	\$ 897,689	\$ 880,506
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$ 4,071	\$ 4,235	\$ 4,154	\$ 4,024	\$ 25,596	\$ 47,338
(4,071)	(4,235)	(4,154)	(4,024)	(25,596)	(47,338)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 814,251	\$ 847,041	\$ 767,747	\$ 684,514	\$ 712,047	\$ 701,311
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED DECEMBER 31, 2021**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. 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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2021.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED DECEMBER 31, 2021**

For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) 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 2016. For 2019-2021, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018 and 2020-2021. For 2019, see below regarding changes to stipend-based model.

Changes in assumptions: For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED DECEMBER 31, 2021**

As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent. For 2020, the single discount rate changed from 4.66 to 3.56. For 2021, the single discount rate changed from 3.56 to 2.96.

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of City Council
City of Mentor-on-the-Lake
Mentor-on-the-Lake, Ohio

The Honorable Keith Faber
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

June 2, 2022

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The prior issued audit report, as of December 31, 2020, included a significant deficiency.

Finding Number	Finding Summary	Status	Additional Information
2020-001	Significant Deficiency - Financial Reporting	Corrective Action Taken and Finding Fully Corrected.	None

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF MENTOR-ON-THE-LAKE

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/12/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov