



Dave Yost • Auditor of State

**VILLAGE OF MENDON
MERCER COUNTY
DECEMBER 31, 2017 AND 2016**

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**VILLAGE OF MENDON
MERCER COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Mendon
Mercer County
102 South Main Street
PO Box 167
Mendon, Ohio 45862

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mendon, Mercer County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mendon, Mercer County, Ohio, as of December 31, 2017 and 2016, and the respective changes in cash financial position and where applicable cash flows and the respective budgetary comparison for the General and Street funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 16, 2018

VILLAGE OF MENDON, MERCER COUNTY
Statement of Net Position - Cash Basis
 December 31, 2017

	Governmental Activities	Business Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 125,194	\$ 522,511	\$ 647,705
Total Assets	<u>\$ 125,194</u>	<u>\$ 522,511</u>	<u>\$ 647,705</u>
Net Position			
Other Purposes	\$ 96,265	\$ -	\$ 96,265
Unrestricted	28,929	522,511	551,440
Total Net Position	<u>\$ 125,194</u>	<u>\$ 522,511</u>	<u>\$ 647,705</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MENDON, MERCER COUNTY

Statement of Activities - Cash Basis

For the Year Ended December 31, 2017

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$ 1,433	\$ -	\$ -	-
Public Health Services	13,193	9,795	-	-
Leisure Time Activities	978	250	-	-
Basic Utility Services	1,000	-	-	-
Transportation	44,408	13,651	25,958	-
General Government	34,173	50	-	-
Capital Outlay	1,828	-	-	-
Other	500	-	-	-
<i>Total Governmental Activities</i>	<u>97,513</u>	<u>23,746</u>	<u>25,958</u>	<u>-</u>
Business Type Activities				
Water Operating & Maint.	132,473	48,696	-	-
Sewer Operating & Maint.	61,934	64,041	-	-
Electric	644,532	621,100	-	-
Water Debt Service	34,000	128,275	-	-
Sewer Replacement	-	13,978	-	-
Water Replacement	-	3,372	-	-
Utility Deposit Fund	7,800	8,700	-	-
<i>Total Business Type Activities</i>	<u>880,739</u>	<u>888,162</u>	<u>-</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 978,252</u>	<u>\$ 911,908</u>	<u>\$ 25,958</u>	<u>\$ -</u>

General Receipts:

Property Taxes

Grants and Entitlements not Restricted to Specific Programs

Cable Franchise Fees

Miscellaneous

Total General Receipts, Contributions to Permanent Fund,

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (1,433)	\$ -	\$ (1,433)
(3,398)	-	(3,398)
(728)	-	(728)
(1,000)	-	(1,000)
(4,799)	-	(4,799)
(34,123)	-	(34,123)
(1,828)	-	(1,828)
(500)	-	(500)
(47,809)	-	(47,809)
-	(83,777)	(83,777)
-	2,107	2,107
-	(23,432)	(23,432)
-	94,275	94,275
-	13,978	13,978
-	3,372	3,372
-	900	900
-	7,423	7,423
(47,809)	7,423	(40,386)
Net (Disbursements) Receipts and Changes in Net Assets		
Primary Government		
Governmental	Business Type	Total
35,023	-	35,023
11,017	-	11,017
4,171	-	4,171
7,396	1,988	9,384
57,607	1,988	59,595
9,798	9,411	19,209
115,396	513,100	628,496
\$ 125,194	\$ 522,511	\$ 647,705

VILLAGE OF MENDON, MERCER COUNTY

Statement of Assets and Fund Balances - Cash Basis

Governmental Funds

December 31, 2017

	GENERAL	STREET FUND	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 25,426	\$ 38,636	\$ 61,132	\$ 125,194
<i>Total Assets</i>	<u>\$ 25,426</u>	<u>\$ 38,636</u>	<u>\$ 61,132</u>	<u>\$ 125,194</u>
Fund Cash Balances, December 31				
Restricted	\$ -	\$ 38,636	\$ 57,629	\$ 96,265
Committed	-	-	3,503	3,503
Assigned	25,426	-	-	25,426
<i>Fund Cash Balances, December 31</i>	<u>\$ 25,426</u>	<u>\$ 38,636</u>	<u>\$ 61,132</u>	<u>\$ 125,194</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MENDON, MERCER COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds**

For the Year Ended December 31, 2017

	GENERAL	STREET FUND	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 28,856	\$ -	\$ -	\$ 28,856
Other Local Taxes	-	-	9,069	9,069
Intergovernmental	17,184	27,922	2,618	47,724
Charges for Services	-	-	10,045	10,045
Fines, Licenses and Permits	4,221	-	-	4,221
Earnings on Investments	3,178	452	113	3,743
Miscellaneous	1,010	2,643	-	3,653
<i>Total Receipts</i>	<u>54,449</u>	<u>31,017</u>	<u>21,845</u>	<u>107,311</u>
Disbursements				
Current:				
Security of Persons and Property	1,433	-	-	1,433
Public Health Services	-	-	13,193	13,193
Leisure Time Activities	-	-	978	978
Basic Utility Services	1,000	-	-	1,000
Transportation	14,723	24,497	5,188	44,408
General Government	33,173	-	1,000	34,173
Capital Outlay	1,828	-	-	1,828
<i>Total Disbursements</i>	<u>52,157</u>	<u>24,497</u>	<u>20,359</u>	<u>97,013</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,292</u>	<u>6,520</u>	<u>1,486</u>	<u>10,298</u>
Other Financing Sources (Uses)				
Other Financing Uses	-	(500)	-	(500)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>(500)</u>
<i>Net Change in Fund Balances</i>	<u>2,292</u>	<u>6,020</u>	<u>1,486</u>	<u>9,798</u>
Fund Balances Beginning of Year	23,134	32,616	59,646	115,396
<i>Fund Balances End of Year</i>	<u>\$ 25,426</u>	<u>\$ 38,636</u>	<u>\$ 61,132</u>	<u>\$ 125,194</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MENDON, MERCER COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and
Actual - Budget Basis - General Fund**

For the Year Ended December 31, 2017

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$ 28,021	\$ 28,021	\$ 28,856	\$ 835
Intergovernmental	17,113	17,113	17,184	71
Fines, Licenses and Permits	4,100	4,100	4,221	121
Earnings on Investments	1,000	1,000	3,178	2,178
Miscellaneous	2,025	2,025	1,010	(1,015)
<i>Total Receipts</i>	<u>52,259</u>	<u>52,259</u>	<u>54,449</u>	<u>2,190</u>
Disbursements				
Current:				
Security of Persons and Property	2,150	2,150	1,433	717
Basic Utility Services	1,000	1,000	1,000	-
Transportation	16,650	15,650	14,918	732
General Government	41,260	42,260	33,276	8,984
Capital Outlay	2,000	2,000	1,828	172
<i>Total Disbursements</i>	<u>63,060</u>	<u>63,060</u>	<u>52,455</u>	<u>10,605</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,801)</u>	<u>(10,801)</u>	<u>1,994</u>	<u>12,795</u>
Other Financing Sources (Uses)				
Other Financing Uses	(16,070)	(16,070)	-	16,070
<i>Total Other Financing Sources (Uses)</i>	<u>(16,070)</u>	<u>(16,070)</u>	<u>-</u>	<u>16,070</u>
<i>Net Change in Fund Balance</i>	<u>(26,871)</u>	<u>(26,871)</u>	<u>1,994</u>	<u>28,865</u>
Unencumbered Fund Balance Beginning of Year	23,134	23,134	23,134	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Unencumbered Balance End of Year</i>	<u>\$ (3,737)</u>	<u>\$ (3,737)</u>	<u>\$ 25,128</u>	<u>\$ 28,865</u>

VILLAGE OF MENDON, MERCER COUNTY

Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - Street Fund

For the Year Ended December 31, 2017

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Other Local Taxes	\$ 4,125	\$ 4,125	\$ -	\$ (4,125)
Intergovernmental	24,000	24,000	27,922	3,922
Earnings on Investments	40	40	452	412
Miscellaneous	360	360	2,643	2,283
<i>Total Receipts</i>	<u>28,525</u>	<u>28,525</u>	<u>31,017</u>	<u>2,492</u>
Disbursements				
Current:				
Transportation	23,300	24,799	24,704	95
General Government	1,000	-	-	-
<i>Total Disbursements</i>	<u>24,300</u>	<u>24,799</u>	<u>24,704</u>	<u>95</u>
<i>Excess of Receipts Over (Under)</i>	<u>4,225</u>	<u>3,726</u>	<u>6,313</u>	<u>2,587</u>
Other Financing Sources (Uses)				
Other Financing Uses	(36,800)	(36,301)	(500)	35,801
<i>Total Other Financing Sources (Uses)</i>	<u>(36,800)</u>	<u>(36,301)</u>	<u>(500)</u>	<u>35,801</u>
<i>Net Change in Fund Balance</i>	<u>(32,575)</u>	<u>(32,575)</u>	<u>5,813</u>	<u>38,388</u>
Unencumbered Fund Balance Beginning of	32,616	32,616	32,616	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Unencumbered Balance End of Year</i>	<u>\$ 41</u>	<u>\$ 41</u>	<u>\$ 38,429</u>	<u>\$ 38,388</u>

VILLAGE OF MENDON, MERCER COUNTY
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2017

	Business Type Activities					
	WATER OPERATING	ELECTRIC	WATER DEBT SERVICE	SEWER REPLACE	Other Enterprise Funds	Total Enterprise Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 133,858	\$ 81,218	\$ 175,112	\$ 59,379	\$ 72,944	\$ 522,511
<i>Total Assets</i>	\$ 133,858	\$ 81,218	\$ 175,112	\$ 59,379	\$ 72,944	\$ 522,511
Net Position						
Unrestricted	\$ 133,858	\$ 81,218	\$ 175,112	\$ 59,379	\$ 72,944	\$ 522,511
<i>Total Net Position</i>	\$ 133,858	\$ 81,218	\$ 175,112	\$ 59,379	\$ 72,944	\$ 522,511

See accompanying notes to the basic financial statements.

VILLAGE OF MENDON, MERCER COUNTY

Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis

Proprietary Funds

For the Year Ended December 31, 2017

	Business Type Activities					Total Enterprise Funds
	WATER OPERATING	ELECTRIC	WATER DEBT SERVICE	SEWER REPLACE	Other Enterprise Funds	
Operating Receipts						
Charges for Services	\$ 48,696	\$ 621,100	\$ 128,275	\$ 13,978	\$ 76,113	\$ 888,162
<i>Total Operating Receipts</i>	<u>48,696</u>	<u>621,100</u>	<u>128,275</u>	<u>13,978</u>	<u>76,113</u>	<u>888,162</u>
Operating Disbursements						
Personal Services	11,514	114,609	-	-	11,545	137,668
Employee Fringe Benefits	2,248	61,643	-	-	11,404	75,295
Contractual Services	31,034	446,899	-	-	12,188	490,121
Supplies and Materials	37,828	7,448	-	-	11,435	56,711
Other	20,499	4,028	-	-	10,204	34,731
<i>Total Operating Disbursements</i>	<u>103,123</u>	<u>634,627</u>	<u>-</u>	<u>-</u>	<u>56,776</u>	<u>794,526</u>
<i>Operating Income (Loss)</i>	<u>(54,427)</u>	<u>(13,527)</u>	<u>128,275</u>	<u>13,978</u>	<u>19,337</u>	<u>93,636</u>
Non-Operating Receipts (Disbursements)						
Miscellaneous Receipts	379	1,609	-	-	-	1,988
Capital Outlay	(29,250)	(9,905)	-	-	(12,958)	(52,113)
Principal Retirement	-	-	(34,000)	-	-	(34,000)
Other Financing Uses	(100)	-	-	-	-	(100)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(28,971)</u>	<u>(8,296)</u>	<u>(34,000)</u>	<u>-</u>	<u>(12,958)</u>	<u>(84,225)</u>
<i>Change in Net Position</i>	<u>(83,398)</u>	<u>(21,823)</u>	<u>94,275</u>	<u>13,978</u>	<u>6,379</u>	<u>9,411</u>
Net Position Beginning of Year	217,256	103,041	80,837	45,401	66,565	513,100
<i>Net Position End of Year</i>	<u>\$ 133,858</u>	<u>\$ 81,218</u>	<u>\$ 175,112</u>	<u>\$ 59,379</u>	<u>\$ 72,944</u>	<u>\$ 522,511</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MENDON, MERCER COUNTY

Statement of Cash Flows - Cash Basis

Proprietary Funds

For the Year Ended December 31, 2017

	Business Type Activities					Total Enterprise Funds
	WATER OPERATING	ELECTRIC	WATER DEBT SERVICE	SEWER REPLACE	Other Enterprise Funds	
Increase (Decrease) in Cash and Cash Equivalents						
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 48,696	\$ 621,100	\$ 128,275	\$ 13,978	\$ 76,113	\$ 888,162
Cash Payments to Employees for Services	(11,514)	(114,609)	-	-	(11,545)	(137,668)
Cash Payments for Employee Benefits	(2,248)	(61,643)	-	-	(11,404)	(75,295)
Cash Payments for Goods and Services	(68,862)	(454,347)	-	-	(23,623)	(546,832)
Other Cash Payments	(20,499)	(4,028)	-	-	(10,204)	(34,731)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(54,427)</u>	<u>(13,527)</u>	<u>128,275</u>	<u>13,978</u>	<u>19,337</u>	<u>93,636</u>
Cash Flows from Noncapital Financing Activities						
Other Cash Receipts	379	1,609	-	-	-	1,988
Other Cash Payments	(100)	-	-	-	-	(100)
<i>Net Cash Provided by (Used in) Noncapital Financing</i>	<u>279</u>	<u>1,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,888</u>
Cash Flows from Capital and Related Financing						
Principal Paid on Debt	-	-	(34,000)	-	-	(34,000)
Payments for Capital Acquisitions	(29,250)	(9,905)	-	-	(12,958)	(52,113)
<i>Net Cash Provided by (Used in) Capital and Related</i>	<u>(29,250)</u>	<u>(9,905)</u>	<u>(34,000)</u>	<u>-</u>	<u>(12,958)</u>	<u>(86,113)</u>
<i>Net Increase (Decrease) in Cash and Cash</i>	<u>(83,398)</u>	<u>(21,823)</u>	<u>94,275</u>	<u>13,978</u>	<u>6,379</u>	<u>9,411</u>
Cash and Cash Equivalents Beginning of Year	217,256	103,041	80,837	45,401	66,565	513,100
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 133,858</u>	<u>\$ 81,218</u>	<u>\$ 175,112</u>	<u>\$ 59,379</u>	<u>\$ 72,944</u>	<u>\$ 522,511</u>

See accompanying notes to the basic financial statements.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Village of Mendon (the Village), Mercer County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government, component units, and other organizations are including to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer, electric utilities, maintenance of Village roads and bridges, and park operations.

Public Entity Risk Pools

The Village participates in two public entity risk pools. Notes 6 and 11 to the financial statements provide additional information for these entities.

The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in the “Basis of Accounting” paragraph, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village’s accounting policies.

Basis of Presentation

The Village’s basic financial statements consist of government-wide financial 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 Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function.

A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village 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 Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in two categories: governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants, and other non-exchange transactions) as governmental funds. The Village's major governmental funds are the General Fund, and the Street Fund.

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Fund - The street fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

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

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Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

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

Water Fund – The water fund accounts for the provision of water to the residents and commercial users located with the Village.

Electric Fund – The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Water Debt Service Fund – This fund accounts for a portion of water usage charges and is set aside to retire debt associated with water improvements of the Village.

Water Replacement Fund – This fund has been established to make capital improvement to the sewer system of the Village.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

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

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

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2017, the Village invested in STAR 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, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximate fair value.

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

Interest earnings are allocated to Village funds according to State statutes, grant requirements, Village Council directives, or debt related restrictions. Interest receipts credited to the General Fund during 2017 was \$3,178.

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Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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 interfund loans.

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.

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

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

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Assigned Amounts in the assigned fund balance classification are intended to be used by the Village 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 represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

The Village 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.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street and highway improvements.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis is presented for the general fund, and the street fund and are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

	<u>General</u>	<u>Street</u>
Cash Basis	\$2,292	\$6,020
Outstanding Encumbrances	<u>(298)</u>	<u>(207)</u>
Budget Basis	<u>\$1,994</u>	<u>\$5,813</u>

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

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Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2017, the carrying amount of the Village's deposits was \$482,436 and the bank balance was \$499,791. Of the bank balance, \$250,000 was insured by the FDIC, and \$249,791 was collateralized with securities held by the pledging financial institution, but not in the Village's name.

The Village has no deposit policy for custodial credit risk beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security of repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2017, the Village had the following investment:

	<u>Carrying Value</u>
STAR Ohio	<u>\$ 165,269</u>
Total Portfolio	<u><u>\$ 165,269</u></u>

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio laws requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

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Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$68 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property	\$6,071,390
Public Utility Personal Property	1,470
Total	<u>\$6,072,860</u>

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

Note 6 – Risk Management

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2017, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2017.

Assets	\$1,091,882
Liabilities	<u>(757,765)</u>
Accumulated Surplus	<u>\$ 334,117</u>

The Village maintains comprehensive insurance coverage with private insurers for all real and personal property, including automobile coverage for the following risks: general liability, auto liability, uninsured motorists, property damage, inland marine, crime, and public employee bonding. The Village liability insurance coverage is through Dawson Companies and the bond for the Fiscal Officer is through Roebuck insurance.

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Type of Coverage	Coverage	Deductible
Ohio Municipal Joint Self Insurance Pool		
General Liability and Public Officials Liability		
Bodily Injury and Property Damage	\$2,000,000	\$1,000
Fire Damage Liability	100,000	1,000
Personal and Advertising Injury	2,000,000	1,000
Public Officials Liability	2,000,000	2,500
Employment Benefit Liability	1,000,000	1,000
Municipal Attorney & Law Directors Liability	1,000,000	2,500
Stop Gap	1,000,000	0
Medical Payments	5,000	
Automobile Coverages		
Automobile Liability-Bodily Injury & Property Damage	2,000,000	0
Uninsured / Underinsured Motorist	40,000	0
Physical Damage		
Hired/Borrowed Physical Damage	50,000	500/500
Medical Payments	5,000	

The Village offers medical and life insurance for full-time employees through a commercial insurer.

There were no significant reductions in coverage in any of the past three years. Settlement claims have not exceeded insurance coverage in any of the past three years.

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP. Compmanagement, Inc provides administrative, cost control and actuarial services to the GRP.

Note 7 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village employees 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. Village 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.

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

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

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

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

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

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

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

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

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

The Village's contractually required contribution was \$22,893 for year 2017.

Social Security

The Village employs one employee who contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and was 1.0 percent during calendar year 2017. 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 2017 was 4.0 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$1,635, \$3,198, and \$3,122, respectively.

Note 9 – Debt

Long-Term Obligations

The changes in the Village's long-term debt during 2017 were as follows:

	Outstanding 12/31/16	Additions	Deletions	Outstanding 12/31/17	Due in One Year
Business Type Activities					
OPWC Water Loan	\$543,995		\$34,000	\$509,995	\$34,000

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The OPWC (water) Loan was obtained in 2013 to make improvements to the water system in the Village. The loan is being repaid in semiannual installments of \$16,999.86, with 0% interest, over 30 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The following is a summary of the Village’s future annual debt service requirements:

Year	OPWC Loans	
	Principal	Interest
		\$0
2018	\$34,000	
2019	34,000	
2020	34,000	
2021	34,000	
2022	34,000	
2023-2017	170,000	
2028-2032	<u>169,995</u>	
Total	<u>\$509,995</u>	

AMP

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village’s share was 500 kilowatts of a total 771,281 kilowatts, giving the Village a 0.06 percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP’s pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village’s estimated share at March 31, 2014, of the impaired costs is \$86,990. The Village received a credit of \$13,971 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$22,612 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$50,407. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village’s payments. Since March 31, 2014 the Village has made payments of \$16,622 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village’s allocation of additional costs incurred by the project is \$664 and interest expense incurred on AMP’s line-of-credit of \$623, resulting in a net impaired cost estimate at December 31, 2015 of \$35,072

The Village elected to finance this amount through a payment plan and is invoiced \$840.12 each month until the total is paid, approximately five years.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Recording of Stranded Costs-

The Village has recorded stranded costs for the AMPGS Project. The Village records these costs in the electric fund. Based on an allocation to Mendon of 500 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village of Mendon has a potential stranded cost obligation of \$81,778 for the AMPGS Project. The Village of Mendon does not have any payments on deposit with AMP at December 31, 2017.

Village Receives Invoice-

The Village of Mendon has received monthly invoices from AMP for the stranded costs identified in the memos AMP sent in November and December of 2011. These costs are not a burden to the electric fund and the Village finances these costs from accumulated earnings without adjusting rates.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – Fund Balances

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

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Fund Balances	General Fund	Street Fund	Other Governmental Funds	Total
Nonspendable				
<i>Total Nonspendable</i>	\$ -	\$ -	\$ -	\$ -
Restricted for				
Road Improvements		38,636	53,469	92,105
Cemetery			4,160	4,160
<i>Total Restricted</i>	-	38,636	57,629	96,265
Committed to				
Recreation			3,503	3,503
<i>Total Committed</i>	-	-	3,503	3,503
Assigned to				
<i>Total Assigned</i>	25,426	-	-	25,426
Unassigned (Deficits)				
<i>Total Fund Balances</i>	\$ 25,426	\$ 38,636	\$ 61,132	\$ 125,194

Note 13 – Subsequent Events

Phoenix Fabricators and Erectors was awarded a contract effective August 30, 2018 for a new water tower for \$648,545. No construction work has begun on the new water tower.

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VILLAGE OF MENDON, MERCER COUNTY
Statement of Net Position - Cash Basis
December 31, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 115,396	\$ 513,100	\$ 628,496
	<u>\$ 115,396</u>	<u>\$ 513,100</u>	<u>\$ 628,496</u>
Total Assets			
Net Position			
Restricted for:			
Other Purposes	\$ 88,031	\$ -	\$ 88,031
Unrestricted	27,365	513,100	540,465
	<u>\$ 115,396</u>	<u>\$ 513,100</u>	<u>\$ 628,496</u>
Total Net Position			

See accompanying notes to the basic financial statements.

VILLAGE OF MENDON, MERCER COUNTY

Statement of Activities - Cash Basis

For the Year Ended December 31, 2016

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
Security of Persons and Property	\$ 1,297	\$ -	\$ -	\$ -
Public Health Services	12,659	14,466	-	-
Leisure Time Activities	3,950	500	-	-
Community Environment	-	-	-	-
Basic Utility Services	845	-	-	-
Transportation	32,501	8,524	29,343	-
General Government	34,297	175	-	-
Capital Outlay	1,200	-	-	-
<i>Total Governmental Activities</i>	<u>86,749</u>	<u>23,665</u>	<u>29,343</u>	<u>-</u>
Business Type Activities				
Water Operating & Maint.	124,090	154,541	-	-
Sewer Operating & Maint.	54,402	62,720	-	-
Electric	612,933	585,561	-	-
Water Debt Service	34,000	19,717	-	-
Sewer Replacement	-	13,722	-	-
Water Replacement	-	3,391	-	-
Utility Deposit Fund	6,500	9,000	-	-
<i>Total Business Type Activities</i>	<u>831,925</u>	<u>848,652</u>	<u>-</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 918,674</u>	<u>\$ 872,317</u>	<u>\$ 29,343</u>	<u>\$ -</u>

General Receipts:

Property Taxes

Grants and Entitlements not Restricted to Specific Progr:

Cable Franchise Fees

Miscellaneous

Total General Receipts, Contributions to Permanent

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (1,297)	\$ -	\$ (1,297)
1,807	-	1,807
(3,450)	-	(3,450)
-	-	-
(845)	-	(845)
5,366	-	5,366
(34,122)	-	(34,122)
(1,200)	-	(1,200)
(33,741)	-	(33,741)
-	30,451	30,451
-	8,318	8,318
-	(27,372)	(27,372)
-	(14,283)	(14,283)
-	13,722	13,722
-	3,391	3,391
-	2,500	2,500
-	16,727	16,727
(33,741)	16,727	(17,014)

Net (Disbursements) Receipts and Changes in Net Assets		
Primary Government		
Governmental	Business Type	Total
35,654	-	35,654
10,873	-	10,873
4,074	-	4,074
4,106	1,074	5,180
54,707	1,074	55,781
20,966	17,801	38,767
94,430	495,299	589,729
\$ 115,396	\$ 513,100	\$ 628,496

VILLAGE OF MENDON, MERCER COUNTY
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2016

	GENERAL	STREET FUND	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 23,134	\$ 32,616	\$ 59,646	\$ 115,396
<i>Total Assets</i>	<u>\$ 23,134</u>	<u>\$ 32,616</u>	<u>\$ 59,646</u>	<u>\$ 115,396</u>
Fund Cash Balances, December 31				
Restricted	\$ -	\$ 32,616	\$ 55,415	\$ 88,031
Committed	-	-	4,231	4,231
Assigned	23,134	-	-	23,134
<i>Fund Cash Balances, December 31</i>	<u>\$ 23,134</u>	<u>\$ 32,616</u>	<u>\$ 59,646</u>	<u>\$ 115,396</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MENDON, MERCER COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds**

For the Year Ended December 31, 2016

	GENERAL	STREET FUND	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 29,562	\$ -	\$ -	\$ 29,562
Other Local Taxes	-	-	8,524	8,524
Intergovernmental	16,965	27,499	1,844	46,308
Charges for Services	-	-	14,966	14,966
Fines, Licenses and Permits	4,249	-	-	4,249
Earnings on Investments	1,246	155	42	1,443
Miscellaneous	2,444	219	-	2,663
<i>Total Receipts</i>	<u>54,466</u>	<u>27,873</u>	<u>25,376</u>	<u>107,715</u>
Disbursements				
Current:				
Security of Persons and Property	1,297	-	-	1,297
Public Health Services	-	-	12,659	12,659
Leisure Time Activities	-	-	3,950	3,950
Basic Utility Services	845	-	-	845
Transportation	12,765	15,467	4,269	32,501
General Government	34,297	-	-	34,297
Capital Outlay	1,200	-	-	1,200
<i>Total Disbursements</i>	<u>50,404</u>	<u>15,467</u>	<u>20,878</u>	<u>86,749</u>
<i>Net Change in Fund Balances</i>	4,062	12,406	4,498	20,966
Fund Balances Beginning of Year	19,072	20,210	55,148	94,430
<i>Fund Balances End of Year</i>	<u>\$ 23,134</u>	<u>\$ 32,616</u>	<u>\$ 59,646</u>	<u>\$ 115,396</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MENDON, MERCER COUNTY

Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund

For the Year Ended December 31, 2016

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$ 30,387	\$ 30,387	\$ 29,562	\$ (825)
Intergovernmental	15,508	15,508	16,965	1,457
Fines, Licenses and Permits	-	-	4,249	4,249
Earnings on Investments	-	-	1,246	1,246
Miscellaneous	100	100	2,444	2,344
<i>Total Receipts</i>	<u>45,995</u>	<u>45,995</u>	<u>54,466</u>	<u>8,471</u>
Disbursements				
Current:				
Security of Persons and Property	2,150	2,150	1,297	853
Basic Utility Services	1,000	1,000	845	155
Transportation	16,650	16,650	12,765	3,885
General Government	27,674	42,200	34,297	7,903
Capital Outlay	1,200	1,200	1,200	-
<i>Total Disbursements</i>	<u>48,674</u>	<u>63,200</u>	<u>50,404</u>	<u>12,796</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,679)</u>	<u>(17,205)</u>	<u>4,062</u>	<u>21,267</u>
Other Financing Sources (Uses)				
Other Financing Uses	(14,836)	(310)	-	310
<i>Total Other Financing Sources (Uses)</i>	<u>(14,836)</u>	<u>(310)</u>	<u>-</u>	<u>310</u>
<i>Net Change in Fund Balance</i>	<u>(17,515)</u>	<u>(17,515)</u>	<u>4,062</u>	<u>21,577</u>
Unencumbered Fund Balance Beginning of Year	19,072	19,072	19,072	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Unencumbered Balance End of Year</i>	<u>\$ 1,557</u>	<u>\$ 1,557</u>	<u>\$ 23,134</u>	<u>\$ 21,577</u>

VILLAGE OF MENDON, MERCER COUNTY

**Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and
Actual - Budget Basis - Street Fund**

For the Year Ended December 31, 2016

	Budget Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Other Local Taxes	\$ 4,125	\$ 4,125	\$ -	\$ (4,125)
Intergovernmental	24,000	24,000	27,499	3,499
Earnings on Investments	40	40	155	115
Miscellaneous	360	360	219	(141)
<i>Total Receipts</i>	<u>28,525</u>	<u>28,525</u>	<u>27,873</u>	<u>(652)</u>
Disbursements				
Current:				
Transportation	24,400	25,400	15,467	9,933
<i>Total Disbursements</i>	<u>24,400</u>	<u>25,400</u>	<u>15,467</u>	<u>9,933</u>
<i>Excess of Receipts Over (Under)</i>	<u>4,125</u>	<u>3,125</u>	<u>12,406</u>	<u>9,281</u>
Other Financing Sources (Uses)				
Other Financing Uses	(24,335)	(23,335)	-	23,335
<i>Total Other Financing Sources (Uses)</i>	<u>(24,335)</u>	<u>(23,335)</u>	<u>-</u>	<u>23,335</u>
<i>Net Change in Fund Balance</i>	<u>(20,210)</u>	<u>(20,210)</u>	<u>12,406</u>	<u>32,616</u>
Unencumbered Fund Balance Beginning of	20,210	20,210	20,210	-
Prior Year Encumbrances Appropriated	-	-	-	-
Unencumbered Balance End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,616</u>	<u>\$ 32,616</u>

VILLAGE OF MENDON, MERCER COUNTY
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2016

	Business Type Activities				
	WATER OPERATING	ELECTRIC	WATER DEBT SERVICE	Other Enterprise Funds	Total Enterprise Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 217,256	\$ 103,041	\$ 80,837	\$ 111,966	\$ 513,100
<i>Total Assets</i>	\$ 217,256	\$ 103,041	\$ 80,837	\$ 111,966	\$ 513,100
Net Position					
Unrestricted	\$ 217,256	\$ 103,041	\$ 80,837	\$ 111,966	\$ 513,100
<i>Total Net Position</i>	\$ 217,256	\$ 103,041	\$ 80,837	\$ 111,966	\$ 513,100

See accompanying notes to the basic financial statements.

Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis

Proprietary Funds

For the Year Ended December 31, 2016

	Business Type Activities				
	WATER OPERATING	ELECTRIC	WATER DEBT SERVICE	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts					
Charges for Services	\$ 154,541	\$ 585,561	\$ 19,717	\$ 88,833	\$ 848,652
<i>Total Operating Receipts</i>	<u>154,541</u>	<u>585,561</u>	<u>19,717</u>	<u>88,833</u>	<u>848,652</u>
Operating Disbursements					
Personal Services	11,383	111,056	-	11,406	133,845
Employee Fringe Benefits	2,002	71,843	-	15,602	89,447
Contractual Services	28,230	411,415	-	8,441	448,086
Supplies and Materials	36,937	5,018	-	12,246	54,201
Other	31,133	4,891	-	7,464	43,488
<i>Total Operating Disbursements</i>	<u>109,685</u>	<u>604,223</u>	<u>-</u>	<u>55,159</u>	<u>769,067</u>
<i>Operating Income (Loss)</i>	<u>44,856</u>	<u>(18,662)</u>	<u>19,717</u>	<u>33,674</u>	<u>79,585</u>
Non-Operating Receipts (Disbursements)					
Miscellaneous Receipts	560	514	-	-	1,074
Capital Outlay	(13,446)	(8,710)	-	(5,743)	(27,899)
Principal Retirement	-	-	(34,000)	-	(34,000)
Other Financing Uses	(959)	-	-	-	(959)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(13,845)</u>	<u>(8,196)</u>	<u>(34,000)</u>	<u>(5,743)</u>	<u>(61,784)</u>
<i>Change in Net Position</i>	<u>31,011</u>	<u>(26,858)</u>	<u>(14,283)</u>	<u>27,931</u>	<u>17,801</u>
Net Position Beginning of Year	186,245	129,899	95,120	84,035	495,299
<i>Net Position End of Year</i>	<u>\$ 217,256</u>	<u>\$ 103,041</u>	<u>\$ 80,837</u>	<u>\$ 111,966</u>	<u>\$ 513,100</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MENDON, MERCER COUNTY
Statement of Cash Flows - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2016

	Business Type Activities				
	WATER OPERATING	ELECTRIC	WATER DEBT SERVICE	Other Enterprise Funds	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 154,541	\$ 585,561	\$ 19,717	\$ 88,833	\$ 848,652
Cash Payments to Employees for Services	(11,383)	(111,056)	-	(11,406)	(133,845)
Cash Payments for Employee Benefits	(2,002)	(71,843)	-	(15,602)	(89,447)
Cash Payments for Goods and Services	(65,167)	(416,433)	-	(20,687)	(502,287)
Other Cash Payments	(31,133)	(4,891)	-	(7,464)	(43,488)
<i>Net Cash Provided by (Used in) Operating Activities</i>	44,856	(18,662)	19,717	33,674	79,585
Cash Flows from Noncapital Financing Activities					
Other Cash Receipts	560	514	-	-	1,074
Other Cash Payments	(959)	-	-	-	(959)
<i>Net Cash Provided by (Used in) Noncapital Financing</i>	(399)	514	-	-	115
Cash Flows from Capital and Related Financing					
Principal Paid on Debt	-	-	(34,000)	-	(34,000)
Payments for Capital Acquisitions	(13,446)	(8,710)	-	(5,743)	(27,899)
<i>Net Cash Provided by (Used in) Capital and Related</i>	(13,446)	(8,710)	(34,000)	(5,743)	(61,899)
<i>Net Increase (Decrease) in Cash and Cash</i>	31,011	(26,858)	(14,283)	27,931	17,801
Cash and Cash Equivalents Beginning of Year	186,245	129,899	95,120	84,035	495,299
<i>Cash and Cash Equivalents End of Year</i>	\$ 217,256	\$ 103,041	\$ 80,837	\$ 111,966	\$ 513,100

See accompanying notes to the basic financial statements.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Mendon (the Village), Mercer County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading.

Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer, electric utilities, maintenance of Village roads and bridges, and park operations.

Public Entity Risk Pools

The Village participates in two public entity risk pools. Notes 5 and 10 to the financial statements provide additional information for these entities.

The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in the “Basis of Accounting” section, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village’s accounting policies.

Basis of Presentation

The Village’s basic financial statements consist of government-wide financial 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 Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village 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 Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in two categories: governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants, and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, and the Street Fund.

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Fund - The street fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for maintenance and repair of streets within the Village.

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

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

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

Water Fund – The water fund accounts for the provision of water to the residents and commercial users located with the Village.

Electric Fund – The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Water Debt Service Fund – This fund accounts for a portion of water usage charges and is set aside to retire debt associated with water improvements of the Village.

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Village Council may appropriate.

The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

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

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2016, the Village invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pools Participants.” The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, Village Council directives, or debt related restrictions. Interest receipts credited to the General Fund during 2016 was \$1,246.

Inventory and Prepaid Items

The Village reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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 interfund loans.

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.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village 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 represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

Village of Mendon, Ohio
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The Village 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.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street and highway improvements.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Internal Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 3 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active deposits are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Village of Mendon, Ohio
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2016, the carrying amount of the Village's deposits was \$465,086 and the bank balance was \$469,421. Of the bank balance, \$250,000 was insured by the FDIC, and \$219,420 was collateralized with securities held by the pledging financial institution, but not in the Village's name.

The Village has no deposit policy for custodial credit risk beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security of repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2016, the Village had the following investment:

	<u>Carrying Value</u>
STAR Ohio	<u>\$ 163,410</u>
Total Portfolio	<u><u>\$ 163,410</u></u>

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio laws requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 4 – Taxes

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2016, was \$68 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$5,928,280
Public Utility Personal Property	340
Total	<u>\$5,928,620</u>

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

Note 5 – Risk Management

The Village maintains comprehensive insurance coverage with private insurers for all real and personal property, including automobile coverage for the following risks: general liability, auto liability, uninsured motorists, property damage, inland marine, crime, and public employee bonding. The Village liability insurance coverage is through Dawson Companies and the bond for the Fiscal Officer is through Roebuck insurance.

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2016, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2016.

Assets	\$1,272,799
Liabilities	<u>(821,016)</u>
Accumulated Surplus	\$ <u>451,783</u>

Type of Coverage	Coverage	Deductible
Ohio Municipal Joint Self Insurance Pool		
General Liability and Public Officials Liability		
Bodily Injury and Property Damage	\$2,000,000	\$1,000
Fire Damage Liability	100,000	1,000
Personal and Advertising Injury	2,000,000	1,000
Public Officials Liability	2,000,000	2,500
Employment Benefit Liability	1,000,000	1,000
Municipal Attorney & Law Directors Liability	1,000,000	2,500
Stop Gap	1,000,000	0
Medical Payments	5,000	
Automobile Coverages		
Automobile Liability-Bodily Injury & Property Damage	2,000,000	0
Uninsured / Underinsured Motorist	40,000	0
Physical Damage		
Hired/Borrowed Physical Damage	50,000	500/500
Medical Payments	5,000	

The Village offers medical and life insurance for full-time employees through a commercial insurer.

There were no significant reductions in coverage in any of the past three years. Settlement claims have not exceeded insurance coverage in any of the past three years.

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP. Compmanagement, Inc provides administrative, cost control and actuarial services to the GRP.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 6 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village employees, 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. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

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

The Village’s contractually required contribution was \$22,385 for year 2016.

Social Security

The Village employs one employee who contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 7 – Postemployment Benefits

Ohio Public Employees Retirement System

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.

Village of Mendon, Ohio
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Notes to the Basic Financial Statements
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In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

Village of Mendon, Ohio
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In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$3,198, \$3,122, and \$2,938, respectively.

Note 8 – Debt

Long-Term Obligations

The changes in the Village's long-term debt during 2016 were as follows:

	Outstanding 12/31/15	Additions	Deletions	Outstanding 12/31/16	Due in One Year
Business Type Activities					
OPWC Water Loan	\$577,995		\$34,000	\$543,995	\$34,000

The OPWC (water) Loan was obtained in 2013 to make improvements to the water system in the Village. The loan is being repaid in semiannual installments of \$16,999.86, with 0% interest, over 30 years. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The following is a summary of the Village's future annual debt service requirements:

Year	OPWC Loans	
	Principal	Interest
		\$0
2017	\$34,000	
2018	34,000	
2019	34,000	
2020	34,000	
2021	34,000	
2022-2026	170,000	
2027-2031	170,000	
2032	33,995	
Total	<u>\$543,995</u>	

Village of Mendon, Ohio
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AMP

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 500 kilowatts of a total 771,281 kilowatts, giving the Village a 0.06 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$86,990. The Village received a credit of \$13,971 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$22,612 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$50,407. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. Since March 31, 2014 the Village has made payments of \$16,622 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$664 and interest expense incurred on AMP's line-of-credit of \$623, resulting in a net impaired cost estimate at December 31, 2015 of \$35,072

The Village elected to finance this amount through a payment plan. The Village is invoiced \$840 each month until the total is paid, approximately five years.

Recording of Stranded Costs-

The Village has recorded stranded costs for the AMPGS Project. The Village records these costs in the electric fund. Based on an allocation to Mendon of 500 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village of Mendon has a potential stranded cost obligation of \$81,778 for the AMPGS Project. The Village of Mendon does not have any payments on deposit with AMP at December 31, 2016.

Village Receives Invoice-

The Village of Mendon has received monthly invoices from AMP for the stranded costs identified in the memos AMP sent in November and December of 2011. These costs are not a burden to the electric fund and the Village finances these costs from accumulated earnings without adjusting rates.

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Village of Mendon, Ohio
Mercer County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Note 10 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 11 – Fund Balances

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

Fund Balances	General Fund	Street Fund	Other Governmental Funds	Total
Restricted for				
Road Improvements	\$ -	\$ 32,616	\$ 47,894	\$ 80,510
Cemetery			7,521	7,521
<i>Total Restricted</i>	-	32,616	55,415	88,031
Committed to				
Recreation Programs			4,231	4,231
<i>Total Committed</i>	-	-	4,231	4,231
Assigned to				
Other Purposes	23,134			23,134
<i>Total Assigned</i>	23,134	-	-	23,134
<i>Total Fund Balances</i>	<u>\$ 23,134</u>	<u>\$ 32,616</u>	<u>\$ 59,646</u>	<u>\$ 115,396</u>



Dave Yost • Auditor of State

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

Village of Mendon
Mercer County
102 South Main Street
PO Box 167
Mendon, Ohio 45862

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Mendon, Mercer County, (the Village) as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon October 16, 2018, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

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

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 16, 2018

**VILLAGE OF MENDON
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Financial Statement Errors – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village did not properly classify all transactions. The following errors were noted on the Village's annual reports:

- In 2017 and 2016, property tax receipts and general government expenditures were over stated by \$3,821 and \$3,585 respectively in the General Fund.
- In 2017 and 2016, revenue in the Street Fund was incorrectly classified as Other Local Taxes instead of Intergovernmental revenue in the amounts of \$4,582 and \$4,760 respectively.
- In 2017, truck and valve repair purchases totaling \$19,900 were incorrectly classified as Other Financing Uses instead of capital outlay expenses in the Water Operating Fund.
- In 2017, a truck purchase for \$8,000 was incorrectly classified as Other Financing Uses instead of as a capital outlay expense in the Sewer Operating Fund.
- In 2017, a truck purchase for \$6,965 was incorrectly classified as Other Financing Uses instead of as a capital outlay expense the Electric Fund.
- In both 2017 and 2016, revenue was incorrectly classified as Other Local Taxes instead of as Grants & Entitlements not Restricted to Specific Programs in the Statement of Activities in the amounts of \$10,797 and \$10,653 respectively for governmental type activities.
- In 2016, the Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis Original and Final Columns in the General Fund did not agree to the Original and Amended Official Certificate of Estimated Resources for the following line items: Property Taxes (\$1,663), Intergovernmental Revenue \$288, Fines/Licenses/Permits (\$4,700), Earnings on Investments (\$300), and Miscellaneous Revenue (\$1,050).
- In 2016, the Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis Original Column in the General Fund did not agree to original appropriations for General Government expenditures in the amount of \$7,526.
- In 2017, the Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis Original and Final Columns in the General Fund did not agree to the Original and Final Amended Official Certificate of Estimated Resources for the following line items: Property Taxes (\$4,034) and Intergovernmental Revenue \$293.
- In 2016, the beginning fund balance for the Electric fund was overstated by \$54 to the audited ending fund balance as of December 31, 2015.

FINDING NUMBER 2017-001 (Continued)

Additionally, Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.168-1800.177) - *Fund Balance Reporting and Governmental Fund Type Definitions* gives definitions for each of the following fund types General, Special Revenue, Capital Project, Debt Service, and Permanent. GASB Statement No. 54 also establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

- In both 2017 and 2016, a portion of the Unassigned fund balance in the General Fund was reclassified to Assigned fund balance to properly reflect appropriations exceeding estimated resources for the following year per GASB 54 guidance, in the amounts of \$25,426 and \$23,134, respectively.
- In both 2017 and 2016, a portion of the Unrestricted net position for the governmental activities was reclassified to Restricted net position to properly record the net position per GASB 34 guidance, in the amounts of \$96,265 and \$88,031, respectively.

The adjustments noted above are reflected on the audited financial statements and in the Village's books. In addition to the adjustments listed above, we also identified additional misstatements ranging from \$100 to \$3,743 for 2017 and from \$386 to \$1,443 for 2016 that we have brought to the Village's attention.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts/line items. The fiscal officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Village's chart of accounts. The fiscal officer should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do so may result in incorrect classification of funds and inaccurate financial statements. The Village Council should review the activity that have been posted to the accounting system on a monthly basis and document this review either in the minutes or by signing off on the system generated reports

Official's Response:

The Village will take the auditor's advice and implement the necessary policies and procedures to make sure that receipts and expenditures are posted in the correct accounts and line items. The Fiscal Officer will review the items that are posted to make sure they are posted in accordance with our chart of accounts. The Village Council will review and approve the financial statements monthly and it will be noted in the minutes.



Dave Yost • Auditor of State

VILLAGE OF MENDON

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 27, 2018