

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

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2024**

Zupka & Associates
Certified Public Accountants



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

We have reviewed the *Independent Auditor's Report* of the City of Mentor-on-the-Lake, Lake County, prepared by Zupka & Associates, for the audit period January 1, 2024 through December 31, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

KEITH FABER
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

October 07, 2025

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LAKE COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024**

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INDEPENDENT AUDITOR'S REPORT

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

To the Members of City Council:

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor-on-the-Lake, Lake County, Ohio, (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor-on-the-Lake as of December 31, 2024, and the respective changes in financial position and the budgetary comparisons for the General Fund, Safety Forces Levy Fund, Police Levy Fund and Fire Levy Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of Matter

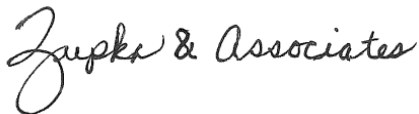
As discussed in Note 3 to the basic financial statements, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Zupka & Associates
Certified Public Accountants

June 24, 2025

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**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

The management's discussion and analysis of the City of Mentor-on-the-Lake's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2024. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2024 are as follows:

- The total net position of the City increased \$737,200.
- General revenues accounted for \$5,660,668 or 80.70 percent of total governmental activities revenue. Program specific revenues accounted for \$1,353,564 or 19.30 percent of total governmental activities revenue of \$7,014,232.
- The City had \$6,277,032 in expenses related to governmental activities; \$1,353,564 of these expenses were offset by program specific charges for services, grants and contributions.
- The City had four major funds consisting of the General Fund, the Safety Forces Levy Fund, the Police Levy Fund, the Fire Levy Fund.
- The General Fund had total revenues (including other financing sources) of \$3,273,252 in 2024. This represents an increase of \$221,483 from 2023 revenues. The expenditures (including other financing uses) of the General Fund, which totaled \$3,449,669 in 2024, increased \$909,935 from 2023 expenses. The net decrease in fund balance for the General Fund was \$176,417.
- The Safety Forces Levy Fund had revenues of \$767,134 in 2024, which is an increase of \$982 from 2023 revenues. The expenditures in the Safety Forces Levy Fund totaled \$782,519 in 2024, which increased \$24,373 from 2023. The net decrease in fund balance was \$15,385, resulting in an ending fund balance of \$35,792.
- The Police Levy Fund has a cash balance of \$40,390.
- The Fire Levy Fund had revenues of \$341,357 in 2024, which is a decrease of \$2,427 from 2023 revenues. The expenditures totaled \$427,794 in 2024, which increased \$156,753 from 2023 expenditures. The net decrease in fund balance was \$86,437, resulting in an ending fund balance of \$35,424.

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The Basic Financial Statements

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

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City’s most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole look at all financial transactions and asks the question, “How did we do financially during 2024?” The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

The City’s statement of net position and statement of activities can be found on pages 21-22 of this report.

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Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental funds begins on page 15.

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the General Fund, the Safety Forces Levy Fund, Police Levy Fund and the Fire Levy Fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 23-26 of this report.

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Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City does not have any fiduciary funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 32-95 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension and net OPEB liability/asset. The required supplementary information can be found on pages 94-109 of this report.

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Government-wide Financial Analysis

The table below provides a summary of the City's net position for 2024 and 2023.

	Net Position	
	2024	2023*
ASSETS		
Current and other assets	\$ 6,660,322	\$ 6,675,043
Capital assets, net	9,806,364	9,591,882
Net OPEB Asset	49,115	-
Total Assets	16,515,801	16,266,925
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,890,258	2,190,360
OPEB	249,268	360,087
Total Deferred Outflows of Resources	2,139,526	2,550,447
LIABILITIES		
Current liabilities	600,966	1,092,118
Long-term liabilities		
Due within one year	623,381	589,909
Due in more than one year:		
Net Pension Liability	5,500,189	5,597,059
Net OPEB Liability	309,494	328,987
Other Amounts	589,761	743,499
Total Liabilities	7,623,791	8,351,572
DEFERRED INFLOWS OF RESOURCES		
Property taxes	2,269,921	2,273,472
Pension	273,757	403,550
OPEB	298,945	337,065
Total Deferred Inflows of Resources	2,842,623	3,014,087
NET POSITION		
Net investment in capital assets	9,031,511	8,407,553
Restricted	1,657,034	1,109,719
Unrestricted	(2,499,632)	(2,065,559)
Total Net Position	\$ 8,188,913	\$ 7,451,713

* Restated

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2024 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The City previously adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding

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deferred inflows related to pension and OPEB, the net pension liability, the net OPEB liability, to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2024, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,188,913. At year-end, unrestricted net position had a deficit of \$2,499,632. A portion of the City's net position, \$1,657,034, represents resources that are subject to external restriction on how they may be used.

During 2024, the City had a decrease in deferred outflows of resources, the net pension liability, net OPEB liability and deferred inflows of resources respectively by \$410,921, \$96,870, \$19,493 and \$171,464, while net OPEB asset increased by \$49,115. These changes were due to recording GASB Statement No 68 and 75 as previously discussed.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 59.38 percent of total assets. Capital assets include land, land improvements, buildings, furniture, fixtures and equipment, vehicles, intangible right-to-use software and infrastructure. The net investment in capital assets component of net position at December 31, 2024, was \$9,031,511 for governmental activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Current liabilities decreased from \$1,092,118 in 2023 to \$600,966 in 2024 due to the decrease in unearned revenue and notes payable. This decrease represented 44.97 percent from 2023.

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The table below shows the changes in net position for fiscal year 2024 and 2023.

	Changes in Net Position	
	2024	2023
REVENUES		
Program Revenues:		
Charges for services	\$ 516,525	\$ 489,288
Operating grants and contributions	445,833	439,194
Capital grants and contributions	391,206	137,579
Total Program Revenues	<u>1,353,564</u>	<u>1,066,061</u>
General Revenues:		
Property taxes	2,574,428	2,363,645
Municipal Income taxes	1,849,399	1,696,935
Unrestricted grants and entitlements	1,011,965	654,228
Investment income	105,630	79,191
All other revenues	119,246	170,770
Total General Revenues	<u>5,660,668</u>	<u>4,964,769</u>
Total Revenues	<u>7,014,232</u>	<u>6,030,830</u>
EXPENSES		
Program Expenses:		
General government	952,429	889,917
Security of persons and property	3,952,965	3,504,982
Public health services	76,296	76,663
Transportation	1,113,688	1,152,195
Leisure time activities	36,251	26,263
Other	121,111	-
Interest and fiscal charges	24,292	41,879
Total Expenses	<u>6,277,032</u>	<u>5,691,899</u>
Change in Net Position	737,200	338,931
Net Position - Beginning of Year, Restated	<u>7,451,713</u>	<u>7,112,782</u>
Net Position - End of Year	<u>\$ 8,188,913</u>	<u>\$ 7,451,713</u>

Governmental activities' net position increased \$737,200 in 2024. This increase is primarily due to increase in unrestricted grants and entitlement and program revenues.

The state and federal government, along with similar agencies, contributed to the City a total of \$837,039 in operating/capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the operating/capital grants and contributions received, \$460,951, \$371,206 and \$4,882 respectively subsidized to transportation, security of persons and property and general government programs.

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General revenues totaled \$5,660,668 and amounted to 80.70 percent of total governmental revenues. These revenues primarily consist of property and municipal income tax revenue of \$4,423,827. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,011,965.

The provisions of GASB Statements 68 and 75 require the City to recognize a pension/OPEB adjustment that decrease expenses by \$77,530 and \$226,283 respectively in 2024 and 2023. As a result, it is difficult to ascertain the true operational cost of services and the changes in cost of service from year to year. The table below shows the total cost of services by function with the GASB Statements 68 and 75 pension and OPEB costs removed.

	Governmental Activities	
	2024	2023
EXPENSES		
Program Expenses:		
Security of persons and property	\$ 3,790,362	\$ 3,239,123
Public health services	76,296	76,663
Leisure time activities	36,251	26,263
Transportation	1,122,491	1,173,336
General government	1,028,699	908,352
Interest and fiscal charges	24,292	41,879
Other	121,111	-
Total Expenses	\$ 6,199,502	\$ 5,465,616

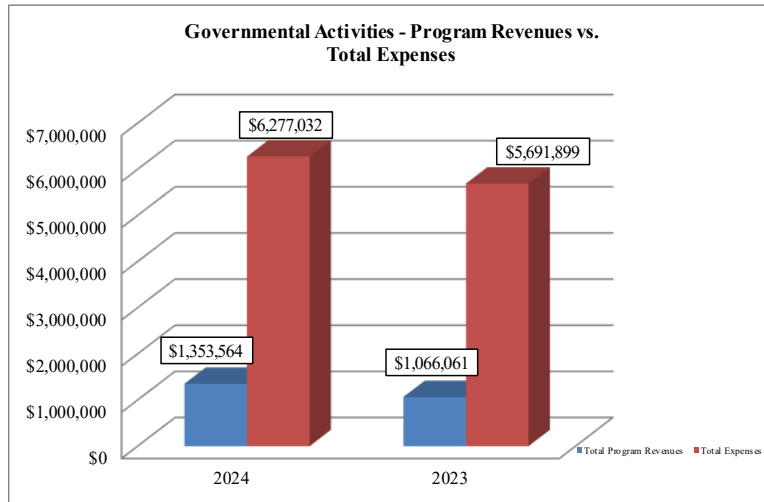
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$3,790,362, which accounted for 61.14 percent of the total expenses of the City. These expenses were partially funded by \$632,443 in direct charges to users of the services and operating grants and contributions.

Transportation expenses totaled \$1,122,491, which accounted for 18.11 percent of the total expenses of the City. For 2024, depreciation expense of \$504,960 was 45.00 percent of the total Transportation expenses. General government expenses totaled \$1,028,292.

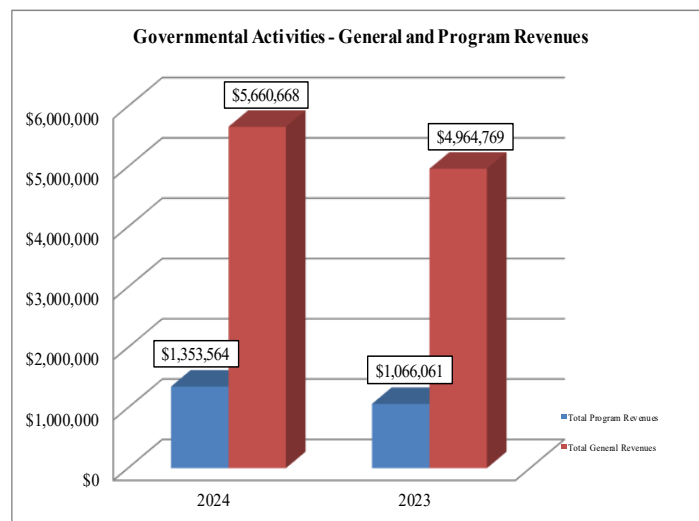
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table on the following page shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services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

As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

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	Governmental Activities			
	Total Cost of Services 2024	Net Cost of Services 2024	Total Cost of Services 2023	Net Cost of Services 2023
General government	\$ 952,429	\$ 745,464	\$ 889,917	\$ 694,702
Security of persons and property	3,952,965	3,320,522	3,504,982	3,133,764
Public health services	76,296	76,296	76,663	76,663
Transportation	1,113,688	608,486	1,152,195	661,282
Leisure time activities	36,251	27,297	26,263	17,548
Other	121,111	121,111	-	-
Interest and fiscal charges	24,292	24,292	41,879	41,879
Total cost of service	<u>\$ 6,277,032</u>	<u>\$ 4,923,468</u>	<u>\$ 5,691,899</u>	<u>\$ 4,625,838</u>



**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

Financial Analysis of the City's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 23 reported a combined fund balance of \$2,829,468, which is \$358,582 more than last year's combined fund balance of \$2,470,886.

The schedule below indicates the fund balances (deficit) and the total change in fund balances as of December 31, 2024, for all major and nonmajor governmental funds.

	Fund Balances 12/31/2024	Fund Balances 12/31/2023	Increase (Decrease)
Major funds:			
General	\$ 1,627,783	\$ 1,804,200	\$ (176,417)
Safety forces levy	35,792	51,177	(15,385)
Police levy	40,390	71,289	(30,899)
Fire levy	35,424	121,861	(86,437)
Other nonmajor governmental funds	1,090,079	422,359	667,720
Total	<u>\$ 2,829,468</u>	<u>\$ 2,470,886</u>	<u>\$ 358,582</u>

General Fund

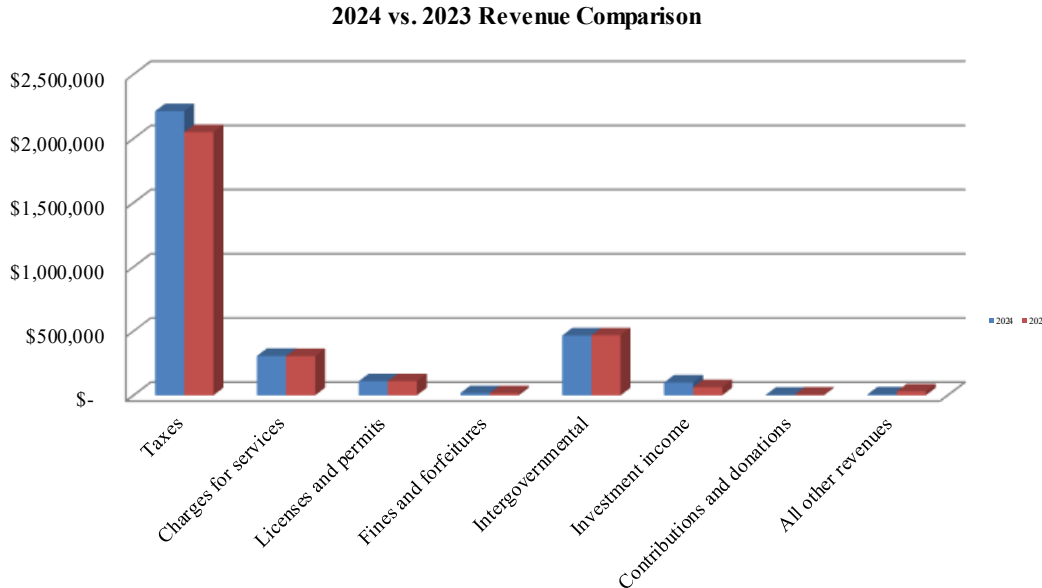
The City's General Fund balance decreased \$176,417. The table that follows assists in illustrating the revenues of the General Fund.

	2024 Amount	2023 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 2,214,358	\$ 2,050,694	7.98%
Charges for services	307,705	305,980	0.56%
Licenses and permits	110,231	110,060	0.16%
Fines and forfeitures	17,583	16,171	8.73%
Intergovernmental	466,627	467,929	-0.28%
Investment income	100,462	63,673	57.78%
Contributions and donations	4,882	6,227	0.00%
All other revenues	8,173	31,035	-73.67%
Total	<u>\$ 3,230,021</u>	<u>\$ 3,051,769</u>	<u>5.84%</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

Tax revenue represents 68.56 percent of all General Fund revenue. Income taxes increased due to the increase in collection. Investment income increase due to a rate change. All other revenues increased due to the increase of miscellaneous revenues

The following graphs show the breakdown of General Fund revenues for 2024 and 2023:



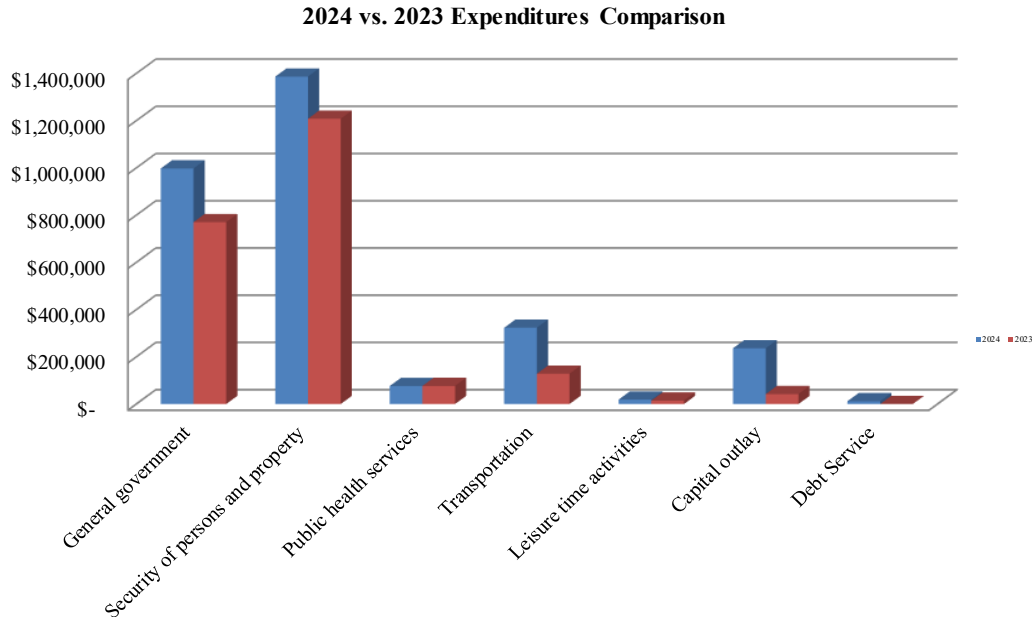
The table that follows assists in illustrating the expenditures of the General Fund.

	2024 Amount	2023 Amount	Percentage Change
<u>Expenditures</u>			
General government	\$ 997,431	\$ 770,297	29.49%
Security of persons and property	1,386,509	1,208,071	14.77%
Public health services	76,296	76,663	-0.48%
Transportation	323,051	128,242	151.91%
Leisure time activities	18,539	14,402	28.73%
Capital outlay	235,973	42,059	461.05%
Debt Service	11,870	-	0.00%
Total	<u>\$ 3,049,669</u>	<u>\$ 2,239,734</u>	<u>36.16%</u>

The most significant increase was in the area of transportation and capital outlay because the City had more expense in 2024.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

The following graphs show the breakdown of General Fund expenditures for 2024 and 2023:



Safety Forces Levy Fund

The fund balance of the City's Safety Forces Levy Fund decreased by \$15,385 primarily due to expense exceeding revenue. Revenues increased from \$766,152 in 2023 to \$767,134 in 2024. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by a 4.5 mil tax levy. Expenditures increased from \$758,146 in 2023 to \$782,519 in 2024.

Police Levy Fund

The Police Levy Fund has a cash balance of \$40,390. Revenues decreased by \$848 in 2024 and Expenditures increased by \$17,696 in 2024.

Fire Levy Fund

The fund balance of the City's Fire Levy Fund decreased \$86,437, primarily due to expense exceeding revenues. Revenues decreased from \$343,784 in 2023 to \$341,357 in 2024. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by two tax levies totaling 7.30 mils. Expenditures increased from \$271,041 in 2023 to \$427,794 in 2024.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

Budgeting Highlights

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

Budgetary information is presented for the General Fund, the Safety Forces Levy Fund, Police Levy and Fire Levy Fund. In the General Fund, actual revenues and other financing sources of \$3,230,515 were \$152,358 greater than final budgeted revenues and other financing sources. Actual expenditures and other financing uses of \$3,355,224 were \$419,048 lower than the final budgeted amounts.

Capital Assets and Debt Administration

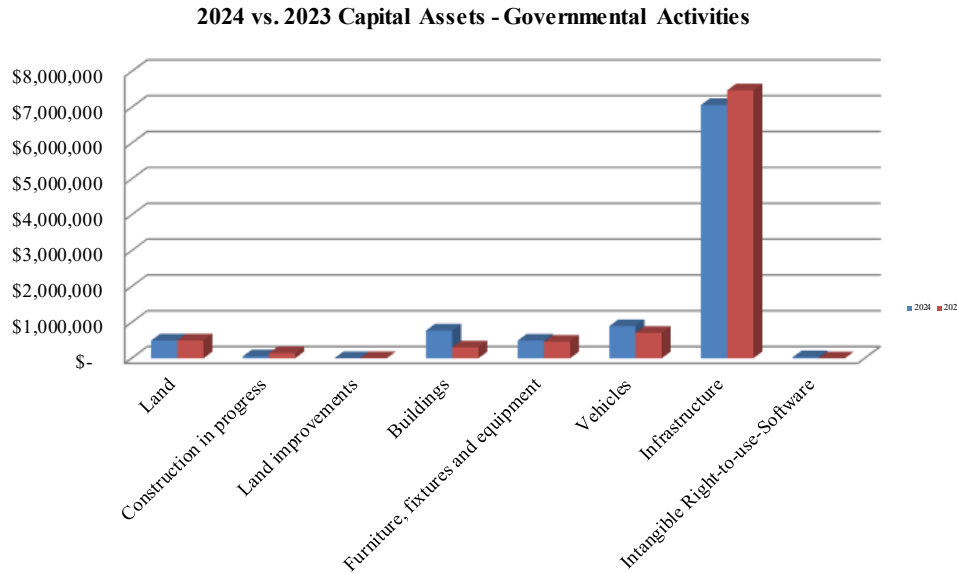
Capital Assets

At the end of 2024, the City had \$9,806,364 (net of accumulated depreciation) invested in land, construction in progress, buildings, land improvements, furniture, fixtures and equipment, vehicles, and infrastructure. See Note 7 for details regarding the City's capital assets. The following table shows fiscal year 2024 balances compared to 2023:

	Governmental Activities	
	2024	2023
Land	\$ 497,654	\$ 497,654
Construction in progress	52,705	142,409
Land improvements	1,400	2,434
Buildings	772,600	302,690
Furniture, fixtures and equipment	492,349	461,132
Vehicles	896,177	708,606
Infrastructure	7,065,899	7,476,957
Intangible Right-to-use-Software	27,580	-
Total Capital Assets	<u>\$ 9,806,364</u>	<u>\$ 9,591,882</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2024 and 2023:

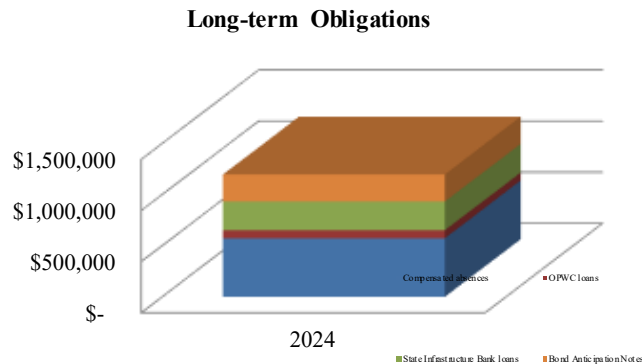


Debt Administration

The City had the following long-term obligations outstanding at December 31, 2024 and 2023. See Note 10 for details regarding the City's long-term obligations.

	2024	2023
Compensated absences	\$ 573,595	\$ 515,389
OPWC loans	77,916	97,014
State Infrastructure Bank loans	280,970	356,005
Bond Anticipation Notes	265,000	365,000
Total outstanding debt	<u>\$ 1,197,481</u>	<u>\$ 1,333,408</u>

A comparison of the long-term obligations of 2024 by category is depicted in the chart below.



**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024
(UNAUDITED)**

Economic Conditions and Outlook

The City of Mentor-on-the-Lake is a bedroom community with only 18 percent of our tax base being retail and commercial. We are located approximately twenty-five miles east of Cleveland and we enjoy a Lake Erie shoreline of two and one-half miles. The City is 98 percent developed and all roads are paved with sanitary sewers and waterlines. The City's unexpended cash fund balances for the Operational Funds which include the General Fund, Police Pension Fund, Police Levy Fund, Fire Levy Fund, Safety Forces Fund, SCMR, Charter Police Levy Fund, Charter Fire Levy Fund, Charter Road Levy Fund and the State Highway Fund for the period ending December 31, 2024 increased from 2023. This increase in fund balance was due mostly from continued cost cutting and spending reductions. The ARPA funding helped offset the additional expenses, resulting in increased balances to the operating funds. The income tax collections increased during 2024 primarily due to captured revenue from Resident Estimates and Employer Withholdings.

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 3,129,968
Cash and Cash Equivalents:	
In Segregated Accounts	11,564
Materials and Supplies Inventory	26,983
Accounts Receivable	78,184
Intergovernmental Receivable	547,579
Prepaid Items	31,516
Municipal Income Taxes Receivable	500,770
Property Taxes Receivable	2,328,280
Special Assessments Receivable	5,478
Nondepreciable Capital Assets	550,359
Depreciable Capital Assets	9,256,005
Net OPEB Asset	49,115
Total Assets	16,515,801
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,890,258
OPEB	249,268
Deferred Outflows of Resources	2,139,526
LIABILITIES	
Accounts Payable	67,462
Contracts Payable	36,563
Accrued Wages and Benefits	86,701
Intergovernmental Payable	6,143
Pension Obligation Payable	52,313
Accrued Interest Payable	12,902
Unearned Revenue	238,882
Notes Payable	100,000
Long-term Liabilities:	
Due within one year	623,381
Due in more than one year:	
Net Pension Liability	5,500,189
Net OPEB Liability	309,494
Other amounts	589,761
Total Liabilities	7,623,791
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	2,269,921
Pension	273,757
OPEB	298,945
Deferred Inflows of Resources	2,842,623
NET POSITION	
Net Investment in Capital Assets	9,031,511
Restricted for:	
Debt Services	207,140
Capital Projects	345,924
Street Construction, Maintenance and Repair	563,996
Fire and Safety Services	330,162
Other Purposes	160,697
OPEB	49,115
Unrestricted	(2,499,632)
Total Net Position	\$ 8,188,913

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Security of Persons and Property	\$ 3,952,965	\$ 261,237	\$ -	\$ 371,206	\$ (3,320,522)
Public Health Services	76,296	-	-	-	(76,296)
Leisure Time Activities	36,251	8,954	-	-	(27,297)
Transportation	1,113,688	44,251	440,951	20,000	(608,486)
General Government	952,429	202,083	4,882	-	(745,464)
Other	121,111	-	-	-	(121,111)
Interest and Fiscal Charges	24,292	-	-	-	(24,292)
Total Governmental activities	\$ 6,277,032	\$ 516,525	\$ 445,833	\$ 391,206	(4,923,468)
General Revenues:					
Property Taxes levied for:					
General Purposes					405,832
Other Purposes					2,168,596
Municipal Income Taxes levied for:					
General Purposes					1,849,399
Grants & Entitlements not restricted to specific programs					1,011,965
Investment Income					105,630
All Other Revenues					119,246
Total General Revenues					<u>5,660,668</u>
Change in Net Position					<u>737,200</u>
Net Position - Beginning of the Year, as Previously Reported					7,681,592
Change in Accounting Principle					<u>(229,879)</u>
Net Position - Beginning of the Year, as Restated					<u>7,451,713</u>
Net Position - End of Year					<u><u>\$ 8,188,913</u></u>

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
BALANCE SHEET- GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General	Safety Forces Levy	Police Levy	Fire Levy	Other Governmental Funds	Total Governmental Funds
ASSETS						
Equity in Pooled Cash and Cash Equivalents	\$ 1,570,728	\$ 62,007	\$ 41,324	\$ 34,084	\$ 1,421,825	\$ 3,129,968
Cash and Cash Equivalents:						
In Segregated Accounts	7,567	1,215	130	1,109	1,543	11,564
Materials and Supplies Inventory	-	-	6,094	2,963	17,926	26,983
Accounts Receivable	37,292	-	-	-	40,892	78,184
Intergovernmental Receivable	239,749	49,278	22,479	17,892	218,181	547,579
Prepaid Items	24,272	-	3,220	4,024	-	31,516
Municipal Income Taxes Receivable	500,770	-	-	-	-	500,770
Property Taxes Receivable	384,229	640,383	363,722	289,275	650,671	2,328,280
Special Assessments Receivable	5,478	-	-	-	-	5,478
Total Assets	<u>\$ 2,770,085</u>	<u>\$ 752,883</u>	<u>\$ 436,969</u>	<u>\$ 349,347</u>	<u>\$ 2,351,038</u>	<u>\$ 6,660,322</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 42,922	\$ 1,215	\$ 10,272	\$ 1,699	\$ 11,354	\$ 67,462
Accrued Wages and Benefits	61,029	22,707	92	2,652	221	86,701
Contracts Payable	-	-	-	-	36,563	36,563
Intergovernmental Payable	4,198	329	1	1,612	3	6,143
Pension Obligation Payable	44,176	3,179	13	793	4,152	52,313
Accrued Interest Payable	-	-	-	-	3,302	3,302
Notes Payable	-	-	-	-	100,000	100,000
Unearned Revenue	6,410	-	-	-	232,472	238,882
<i>Total Liabilities</i>	<u>158,735</u>	<u>27,430</u>	<u>10,378</u>	<u>6,756</u>	<u>388,067</u>	<u>591,366</u>
Deferred Inflows of Resources:						
Property Taxes	374,095	623,494	355,596	282,812	633,924	2,269,921
Unavailable Revenue - Delinquent Property Taxes	10,134	16,889	8,126	6,463	16,747	58,359
Unavailable Revenue - Income Taxes	369,248	-	-	-	-	369,248
Unavailable Revenue - Other	230,090	49,278	22,479	17,892	222,221	541,960
<i>Total Deferred Inflows of Resources</i>	<u>983,567</u>	<u>689,661</u>	<u>386,201</u>	<u>307,167</u>	<u>872,892</u>	<u>3,239,488</u>
Fund Balances:						
Nonspendable	24,272	-	9,314	6,987	17,926	58,499
Restricted	-	35,792	31,076	28,437	766,230	861,535
Committed	-	-	-	-	326,824	326,824
Assigned	1,535,828	-	-	-	-	1,535,828
Unassigned (Deficit)	67,683	-	-	-	(20,901)	46,782
Total Fund Balances	<u>1,627,783</u>	<u>35,792</u>	<u>40,390</u>	<u>35,424</u>	<u>1,090,079</u>	<u>2,829,468</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,770,085</u>	<u>\$ 752,883</u>	<u>\$ 436,969</u>	<u>\$ 349,347</u>	<u>\$ 2,351,038</u>	<u>\$ 6,660,322</u>

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024**

Total Governmental Fund Balances	\$	2,829,468
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		9,806,364
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds:

Delinquent property taxes	58,359	
Municipal Income taxes	369,248	
Intergovernmental revenues	488,396	
Charges for services	53,564	
Total		969,567

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(9,600)
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The net pension and net OPEB liability are not due and payable in the current period; and the net OPEB asset is not available for spending in the current period; therefore, the liability, asset, and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	1,890,258	
Deferred Inflows - Pension	(273,757)	
Net Pension Liability	(5,500,189)	
Deferred Outflows - OPEB	249,268	
Deferred Inflows - OPEB	(298,945)	
Net OPEB Asset	49,115	
Net OPEB Liability	(309,494)	
Total		(4,193,744)

Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds:

OPWC loans	(77,916)	
Compensated absences	(573,595)	
Subscription Payable	(15,661)	
SIB loan	(280,970)	
Bond anticipation notes	(265,000)	
Total		(1,213,142)

Net Position of Governmental Activities	\$	8,188,913
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The notes to the basic financial statements are an integral part of this statement

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	General Fund	Safety Forces Levy	Police Levy	Fire Levy	(Formerly Major) ARPA
REVENUES					
Property Taxes	\$ 400,859	\$ 668,098	\$ 379,968	\$ 302,199	\$ -
Municipal Income Taxes	1,813,499	-	-	-	-
Intergovernmental	466,627	98,556	44,957	35,784	-
Investment Income	100,462	480	419	787	-
Licenses and Permits	110,231	-	-	-	-
Fines and Forfeitures	17,583	-	-	-	-
Charges for Services	307,705	-	-	-	-
Contributions and Donations	4,882	-	-	-	-
All Other Revenues	8,173	-	922	2,587	-
Total Revenues	<u>3,230,021</u>	<u>767,134</u>	<u>426,266</u>	<u>341,357</u>	<u>-</u>
EXPENDITURES					
Security of Persons and Property	1,386,509	782,519	438,450	389,982	-
Public Health Services	76,296	-	-	-	-
Leisure Time Activities	18,539	-	-	-	-
Transportation	323,051	-	-	-	-
General Government	997,431	-	-	-	-
Capital Outlay	235,973	-	18,715	37,812	-
Debt Service:					
Principal Retirement	11,870	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Other	-	-	-	-	-
Total Expenditures	<u>3,049,669</u>	<u>782,519</u>	<u>457,165</u>	<u>427,794</u>	<u>-</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>180,352</u>	<u>(15,385)</u>	<u>(30,899)</u>	<u>(86,437)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	15,700	-	-	-	-
Bond Anticipation Note Issued	-	-	-	-	-
Inception of Subscription Payable	27,531	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	(400,000)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(356,769)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(176,417)</u>	<u>(15,385)</u>	<u>(30,899)</u>	<u>(86,437)</u>	<u>-</u>
Fund Balances (Deficit)- Beginning of Year, as previously presented	1,804,200	51,177	-	121,861	-
Change within financial reporting entity (Major to Nonmajor Fund)	-	-	-	-	-
Change within financial reporting entity (Nonmajor to Major Fund)	-	-	71,289	-	-
Fund Balance- Beginning of Year, as adjusted	<u>1,804,200</u>	<u>51,177</u>	<u>71,289</u>	<u>121,861</u>	<u>-</u>
Fund Balances- End of Year	<u>\$ 1,627,783</u>	<u>\$ 35,792</u>	<u>\$ 40,390</u>	<u>\$ 35,424</u>	<u>\$ -</u>

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

(Formerly Major) General Bond Retirement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 795,176	\$ 2,546,300
	-	1,813,499
	1,171,585	1,817,509
	3,482	105,630
	-	110,231
	7,614	25,197
	44,700	352,405
	-	4,882
	107,564	119,246
-	2,130,121	6,894,899
	814,671	3,812,131
	-	76,296
	11,023	29,562
	347,290	670,341
	11,239	1,008,670
	324,705	617,205
	459,133	471,003
	38,229	38,229
	121,111	121,111
-	2,127,401	6,844,548
-	2,720	50,351
	-	15,700
	265,000	265,000
	-	27,531
	465,000	465,000
	(65,000)	(465,000)
-	665,000	308,231
-	667,720	358,582
(129,721)	623,369	2,470,886
129,721	(129,721)	-
-	(71,289)	-
-	422,359	2,470,886
\$ -	\$ 1,090,079	\$ 2,829,468

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
DECEMBER 31, 2024**

Net Change in Fund Balances--Total Governmental Funds **\$ 358,582**

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

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

Capital outlay	894,552	
Depreciation	(659,917)	
Total		234,635

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or (loss) is reported for each disposal. (20,153)

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

Delinquent property taxes	28,128	
Municipal Income taxes	35,900	
Intergovernmental revenues	1,741	
Charges for services	53,564	
Total		119,333

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of notes. (292,531)

Repayment of long-term debt are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 471,003

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

Pension		443,383
OPEB		10,913

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

Pension		(516,822)
OPEB		(15,004)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.

Compensated absences	(58,206)	
Accrued interest on bonds	2,067	
Total		(56,139)

Change in Net Position of Governmental Activities **\$ 737,200**

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 381,954	\$ 381,954	\$ 400,859	\$ 18,905
Municipal Income Taxes	1,713,380	1,713,380	1,798,186	84,806
Intergovernmental	441,825	441,825	463,694	21,869
Charges for Services	296,399	296,399	311,070	14,671
Licenses and Permits	105,032	105,032	110,231	5,199
Investment Income	95,724	95,724	100,462	4,738
Contributions and Donations	4,652	4,652	4,882	230
Fines and Forfeitures	16,444	16,444	17,258	814
All Other Revenues	7,787	7,787	8,173	386
TOTAL REVENUES	3,063,197	3,063,197	3,214,815	151,618
EXPENDITURES				
Current:				
Security of Persons and Property	1,422,775	1,472,775	1,340,695	132,080
Public Health Services	78,590	78,590	76,296	2,294
Leisure Time Activities	31,712	31,712	18,080	13,632
Transportation	368,500	368,500	312,076	56,424
General Government	1,194,575	1,148,075	959,374	188,701
Capital Outlay	274,590	274,590	248,703	25,887
TOTAL EXPENDITURES	3,370,742	3,374,242	2,955,224	419,018
Excess (Deficiency) of Revenues Over (Under) Expenditures	(307,545)	(311,045)	259,591	570,636
OTHER FINANCING USES				
Sale of Assets	14,960	14,960	15,700	740
Transfers Out	(400,000)	(400,000)	(400,000)	-
Total Other Financing Uses	(385,040)	(385,040)	(384,300)	740
Net Change in Fund Balance	(692,585)	(696,085)	(124,709)	571,376
Fund Balance - Beginning of Year	1,577,443	1,577,443	1,577,443	-
Prior Year Encumbrances Appropriated	101,845	101,845	101,845	-
Fund Balance - End of Year	\$ 986,703	\$ 983,203	\$ 1,554,579	\$ 571,376

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SAFETY FORCES LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property Taxes	\$ 632,050	\$ 632,050	\$ 668,098	\$ 36,048
Intergovernmental	90,000	90,000	98,556	8,556
Investment Income	200	500	480	(20)
TOTAL REVENUES	<u>722,250</u>	<u>722,550</u>	<u>767,134</u>	<u>44,584</u>
EXPENDITURES				
Current:				
Security of Persons and Property	<u>779,000</u>	<u>794,000</u>	<u>776,693</u>	<u>17,307</u>
TOTAL EXPENDITURES	<u>779,000</u>	<u>794,000</u>	<u>776,693</u>	<u>17,307</u>
Net Change in Fund Balance	(56,750)	(71,450)	(9,559)	61,891
Fund Balance - Beginning of Year	<u>71,566</u>	<u>71,566</u>	<u>71,566</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 14,816</u>	<u>\$ 116</u>	<u>\$ 62,007</u>	<u>\$ 61,891</u>

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property Taxes	\$ 360,553	\$ 360,553	\$ 379,968	\$ 19,415
Intergovernmental	40,000	40,000	44,957	4,957
Investment Income	500	500	419	(81)
All Other Revenues	-	-	922	922
TOTAL REVENUES	<u>401,053</u>	<u>401,053</u>	<u>426,266</u>	<u>25,213</u>
EXPENDITURES				
Current:				
Security of Persons and Property	465,618	468,618	457,568	11,050
TOTAL EXPENDITURES	<u>465,618</u>	<u>468,618</u>	<u>457,568</u>	<u>11,050</u>
Net Change in Fund Balance	(64,565)	(67,565)	(31,302)	36,263
Fund Balance - Beginning of Year	38,255	38,255	38,255	-
Prior Year Encumbrances Appropriated	30,168	30,168	30,168	-
Fund Balance - End of Year	<u>\$ 3,858</u>	<u>\$ 858</u>	<u>\$ 37,121</u>	<u>\$ 36,263</u>

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 287,596	\$ 301,280	\$ 302,199	\$ 919
Intergovernmental	31,000	35,675	35,784	109
Investment Income	500	785	787	2
All Other Revenues	500	2,579	2,587	8
TOTAL REVENUES	<u>319,596</u>	<u>340,319</u>	<u>341,357</u>	<u>1,038</u>
EXPENDITURES				
Current:				
Security of Persons and Property	<u>447,697</u>	<u>447,697</u>	<u>425,955</u>	<u>21,742</u>
TOTAL EXPENDITURES	<u>447,697</u>	<u>447,697</u>	<u>425,955</u>	<u>21,742</u>
Net Change in Fund Balance	(128,101)	(107,378)	(84,598)	22,780
Fund Balance - Beginning of Year	93,873	93,873	93,873	-
Prior Year Encumbrances Appropriated	<u>23,747</u>	<u>23,747</u>	<u>23,747</u>	-
Fund Balance - End of Year	<u>\$ (10,481)</u>	<u>\$ 10,242</u>	<u>\$ 33,022</u>	<u>\$ 22,780</u>

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

NOTE 1: DESCRIPTION OF THE CITY

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

The City participates in the Northeast Ohio Public Energy Council (NOPEC), a jointly governed organization. Note 20 to the financial statements provides additional information for this entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

B. Basis of Presentation – Fund Accounting

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

C. Fund Accounting

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

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources compared to liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

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

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

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

C. **Fund Accounting** (Continued)

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

Fiduciary Funds - *Fiduciary* fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City has no fiduciary funds.

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

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Agency funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees, and special assessments.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

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

Unearned Revenue - Unearned revenue arises when revenues are received in advance of the fiscal year which they were intended to finance. The City recorded unearned revenue related to unspent moneys from ARPA funds.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the governmental-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 12 and Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2024, but which were levied to finance year 2025 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, and intergovernmental grants and entitlements. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (See Note 12 and Note 13).

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

F. Budgetary Data

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

Tax Budget - During the first Council meeting in July, the Mayor presents the following fiscal year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

The amounts reported on the budgetary statements reflect the amounts in the original and final amended official Certificate of Estimated Resources issued during 2024.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

F. **Budgetary Data** (Continued)

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

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

G. **Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2024, the City's investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). The City's investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

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

For 2024, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2024 amounted to \$100,462, which includes \$47,453 assigned from other funds.

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

H. **Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads and storm sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets (Continued)

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

I. Compensated Absences

The City recognizes a liability for compensated absences for leave that that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability is incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation - The City's policy permits employees to accumulate earned but unused benefits, which are eligible for payments at the employee's current pay rate upon separation from employment.

Sick - The City's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The city adopted the last-in first-out (LIFO) method for sick time used.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2024, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefits payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Interfund Activity

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

N. **Fund Balance**

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by City Council.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

N. **Fund Balance** (Continued)

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

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

O. **Estimates**

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

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

P. **Net Position**

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

Q. Extraordinary and/or Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2024.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES**

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

GASB Implementation Guide 2023-1 provides clarification on issues related to previously established GASB guidance. These changes were incorporated in the City's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 100, Accounting Change and Error Corrections – an Amendment of GASB Statement No. 62. GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The implementation of the GASB pronouncement did not have any impact on beginning net position or fund balance. For fiscal year 2024, the Police Levy Fund presentation was adjusted from nonmajor to major; the ARPA Fund presentation and General Bond Retirement was adjusted from major to nonmajor due to the fund meeting the quantitative threshold for a major fund. This change is separately displayed in the financial statements.

GASB Statement No. 101, Compensated Absences The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES (Continued)

For the City, GASB 101 increased the liability and the cumulative effects of compensated absence related expense on net position as shown on the table below.

	Funds				Government-Wide
	Police Levy	ARPA	General	Nonmajor	Governmental
	Fund	Fund	Bond Retirement	Governmental	Activities
December 31, 2023 as previously reported	\$ -	\$ -	\$(129,721)	\$ 623,369	\$ 7,681,592
Change from major to nonmajor fund		-	129,721	(129,721)	
Change from nonmajor to major fund	71,289	-	-	(71,289)	
Change in accounting principle (GASB 101)	-	-	-	-	(229,879)
December 31, 2023 as restated	<u>\$ 71,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,359</u>	<u>\$ 7,451,713</u>

NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At December 31, 2024, the carrying amount of the City's deposits was \$1,392,617. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2024, \$250,000 of the City's bank balance of \$1,416,844 was covered by Federal Depository Insurance and \$1,166,844 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

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

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institutions.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. All of the City's financial institutions had enrolled in OPCS as of December 31, 2024.

C. Investments

The City has a formal investment policy and utilizes a pooled investment concept for all its funds to maximize its investment program. STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The following table identify the City's recurring fair value measurement as of December 31, 2024. As previously discussed, STAR Ohio is reported at its net asset value.

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

As of December 31, 2024, the City had the following investments, maturities and percentage :

		Investment Maturities 100%
		6 Months or Less
<u>Investment Type</u>	<u>NAV</u>	
STAR Ohio	<u>\$ 1,748,305</u>	<u>\$ 1,748,305</u>

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

D. Reconciliation of Cash and Investments to the Statements

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of December 31, 2024:

<u>Cash and Investments per Note</u>	
Cash on Hand	\$ 610
Carrying Amount of Deposits	1,392,617
Investments	<u>1,748,305</u>
Total Cash and Investments per Note	<u>\$ 3,141,532</u>
 <u>Cash and Cash Equivalents per Statements</u>	
Governmental Activities	<u>\$ 3,141,532</u>
Total Cash and Investments per Statements	<u>\$ 3,141,532</u>

NOTE 5: **TAXES**

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2023 public utility property taxes became a lien December 31, 2023, are levied after October 1, 2023, and are collected in 2024 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 5: **TAXES** (Continued)

A. **Property Taxes** (Continued)

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

The full tax rate for all City operations for the year ended December 31, 2024, was \$28.55 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2024 property tax receipts were based are as follows:

Real Property Tax	\$ 196,509,860
Public Utility Tangible Personal Property Tax	<u>7,350,520</u>
Total Assessed Valuation	<u>\$ 203,860,380</u>

Property taxes receivables represent real and public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2024. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any delinquencies received by the City in the first thirty-one days of the year are credited as property tax revenues with the remainder being credited to deferred inflows of resources on the modified accrual basis of accounting.

B. **Income Taxes**

The City levies a tax of 2 percent on all salaries, wages, commissions, and other compensation and net profits earned within the City as well as incomes to residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Income tax revenue is credited to the General Fund and totaled \$1,813,499 on the modified accrual basis for fiscal year 2024.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2024, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been recorded to the extent that they are measurable at December 31, 2024.

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

<u>Governmental Activities</u>	<u>Amount</u>
Property Taxes	\$ 2,328,280
Municipal Income Taxes	500,770
Accounts	78,184
Special Assessments	5,478
Intergovernmental:	
Homestead and Rollback Reimbursements	131,188
Local Government	210,182
Gasoline & Excise Taxes/Auto Registration	205,118
Permissive Tax	1,091
Total	<u>\$ 3,460,291</u>

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balances 12/31/2023	Additions	Disposals	Balances 12/30/2024
Governmental Activities				
Nondepreciable Assets:				
Land	\$ 497,654	\$ -	\$ -	\$ 497,654
Construction in progress	142,409	451,911	(541,615)	52,705
Total Nondepreciable Assets	640,063	451,911	(541,615)	550,359
Depreciable Assets:				
Land Improvements	234,577	-	-	234,577
Buildings	872,284	508,937	-	1,381,221
Furniture, fixtures and equipment	1,000,889	97,753	(70,221)	1,028,421
Vehicles	1,826,440	303,127	(112,213)	2,017,354
Intangible Right-to-use- Software	-	29,031	-	29,031
Infrastructure:				
Roads	9,134,803	45,408	-	9,180,211
Storm sewers	3,372,186	-	-	3,372,186
Total Depreciable Assets	16,441,179	984,256	(182,434)	17,243,001
Less Accumulated Depreciation				
Land Improvements	(232,143)	(1,034)	-	(233,177)
Buildings	(569,594)	(39,027)	-	(608,621)
Furniture, fixtures and equipment	(539,757)	(54,125)	57,810	(536,072)
Vehicles	(1,117,834)	(107,814)	104,471	(1,121,177)
Intangible Right-to-use- Software	-	(1,451)	-	(1,451)
Infrastructure:				
Roads	(4,475,716)	(387,635)	-	(4,863,351)
Storm sewers	(554,316)	(68,831)	-	(623,147)
Total Accumulated Depreciation	(7,489,360)	(659,917) *	162,281	(7,986,996)
Total Depreciable Assets, Net	8,951,819	324,339	(20,153)	9,256,005
Governmental Activities Capital Assets, Net	\$ 9,591,882	\$ 776,250	\$ (561,768)	\$ 9,806,364

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

Security of Persons and Property:	\$ 107,897
Leisure Time Activities	6,689
Transportation	504,960
General Government	40,371
Total Depreciation Expense	<u>\$ 659,917</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 8: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2024, consisted of the following, as reported on the fund financial statements:

<u>Transfers to:</u>	<u>Transfers from:</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
Nonmajor Governmental Funds	\$ 400,000	\$ 65,000	\$ 465,000
	<u>\$ 400,000</u>	<u>\$ 65,000</u>	<u>\$ 465,000</u>

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

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

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

NOTE 9: SHORT-TERM OBLIGATIONS

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

	<u>Interest Rate</u>	<u>Balance 12/31/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2024</u>	<u>Amounts Due in One Year</u>
Various Purpose Improvement Anticipation Notes, 2023,	5.09%	\$ 300,000	\$ -	\$ (300,000)	\$ -	\$ -
Various Purpose Improvement Anticipation Notes, 2024,	5.66%	-	100,000	-	100,000	100,000
Total Notes Payable		<u>\$ 300,000</u>	<u>\$ 100,000</u>	<u>\$ (300,000)</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

On June 7, 2024, the City issued \$365,000 in various purpose and refunding bond anticipation notes at 5.66 percent that will mature June 6, 2025. The proceeds were used to retire previously issued notes within the Governmental Activities Fund. \$100,000 of the notes are considered short-term.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 10: LONG-TERM OBLIGATIONS

A. Changes in Governmental Activities' Long-Term Obligations

During the fiscal year 2024, the following changes occurred in the City's governmental activities' long-term obligations:

	Interest Rate	Restated Balance 12/31/2023	Additions	Reductions	Balance 12/31/2024	Amounts Due in One Year
Governmental Activities:						
<u>Bond Anticipation Notes</u>						
Various Purpose Improvement						
Anticipation Notes, 2023	2.350%	\$ 365,000	\$ -	\$ (365,000)	\$ -	\$ -
Various Purpose Improvement						
Anticipation Notes, 2024	5.66%		\$ 265,000		\$ 265,000	\$ 265,000
Total Bond Anticipation Notes		<u>365,000</u>	<u>265,000</u>	<u>(365,000)</u>	<u>265,000</u>	<u>265,000</u>
<u>Direct Borrowing and</u>						
<u>Direct Placement of Debt</u>						
<u>OPWC Loans:</u>						
2004 - 20 years						
OPWC 04 (Holly Dr.)	0%	9,877	-	(6,586)	3,291	3,291
2005 - 20 years						
OPWC 05 (Weber Area)	0%	5,637	-	(2,254)	3,383	3,383
2007 - 20 years						
OPWC 07 (SR 283)	0%	37,500	-	(7,500)	30,000	7,500
2018 - 20 years						
OPWC 18 (Pinehurst Dr.)	0%	40,000	-	(2,500)	37,500	2,500
2018 - 20 years						
OPWC 18 (Lake St. Trunk)	0%	4,000	-	(258)	3,742	258
Total OPWC Loans		<u>97,014</u>	<u>-</u>	<u>(19,098)</u>	<u>77,916</u>	<u>16,932</u>
<u>Other Long-Term Obligations:</u>						
SIB Loan # 070B10	3%	356,005	-	(75,035)	280,970	77,307
Subscription Payable		-	27,531	(11,870)	15,661	3,590
Compensated absences*		515,389	58,206	-	573,595	260,552
Net Pension Liability:						
OPERS		1,717,458	-	(312,617)	1,404,841	-
OP&F		3,879,601	215,747		4,095,348	-
Total Net Pension Liability		<u>5,597,059</u>	<u>215,747</u>	<u>(312,617)</u>	<u>5,500,189</u>	<u>-</u>
Net OPEB Liability:						
OPERS		38,203		(38,203)	-	-
OP&F		290,784	18,710	-	309,494	-
Total Net OPEB Liability		<u>328,987</u>	<u>18,710</u>	<u>(38,203)</u>	<u>309,494</u>	<u>-</u>
Total Other Long-Term Obligations		<u>6,797,440</u>	<u>320,194</u>	<u>(437,725)</u>	<u>6,679,909</u>	<u>341,449</u>
Total Governmental Activities						
 Long-Term Obligations		<u>\$ 7,259,454</u>	<u>\$ 585,194</u>	<u>\$ (821,823)</u>	<u>\$ 7,022,825</u>	<u>\$ 623,381</u>

*- The change in compensated absences above is a net change for the year.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

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

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

Compensated Absences: Compensated absences reported in the “compensated absences payable” account will be paid from the funds from which the employees’ salaries are paid, which are primarily the General, Policy Levy, SCMR, and Safety Forces Levy funds. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund, Fire Levy and SCMR. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

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

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

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

Principal requirements to retire the long-term loans outstanding at December 31, 2024, are as follows:

Year	OPWC Loans	SIB Loan	
	Principal	Principal	Interest
2025	16,932	77,307	7,856
2026	10,258	79,644	5,520
2027	10,258	82,051	3,113
2028	10,258	41,968	631
2029	2,758	-	-
2030-2034	13,790	-	-
2035-2039	13,662	-	-
Total	<u>\$ 77,916</u>	<u>280,970</u>	<u>\$ 17,120</u>

B. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2024, the City's total debt margin was \$19,513,874 and the unvoted debt margin was \$9,932,436.

NOTE 11: SUBSCRIPTION PAYABLE

In 2024, the City of Mentor-on-the Lake entered into a 48-month subscription-based information technology agreement for cloud permit. An initial subscription payable liability was recorded in the amount of \$27,531 and, as of December 31, 2024, the value of the liability is \$15,661. The City is required to make annual fixed payments of \$4,500. The equipment's estimated useful life was 48 months as of the contract commencement.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 11: **SUBSCRIPTION PAYABLE** (Continued)

The following is a schedule of the value of the right-to-use asset and accumulated amortization:

<u>Asset Class</u>	<u>As of December 31, 2024</u>	
	<u>Subscription Asset Value</u>	<u>Accumulated Amortization</u>
Software	\$ 29,031	\$ 1,451
Total Subscriptions	<u>\$ 29,031</u>	<u>\$ 1,451</u>

The following is a schedule of the subscription payments as of December 31, 2024:

	<u>Subscription Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 3,590	\$ 910
2026	3,799	701
2027	4,019	481
2028	4,253	247
	<u>\$ 15,661</u>	<u>\$ 2,339</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 12: **PENSION PLAN**

A. Net Pension Liability

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

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

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

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

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

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

NOTE 12: **PENSION PLAN** (Continued)

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

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. Effective January 1, 2022, the Combined Plan is no longer available for member selection. In October 2023, the legislature approved House Bill (HB) 33, which allows for the consideration of the Combined Plan with the Traditional Pension Plan with the timing of the consolidation at the discretion of OPERS. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 12: **PENSION PLAN** (Continued)

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

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

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

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LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 12: **PENSION PLAN** (Continued)

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 12: **PENSION PLAN** (Continued)

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

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

	State and Local
2023 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2023 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	<u>14.0 %</u>
 Employee	<u>10.0 %</u>

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

** These pension and employer health care rates are for the traditional plan. Beginning July 1, 2022, the employer contribution rate for the combined plan is allocated 2 percent health care with the remainder going to pension. The employer contributions rate for the member-directed plan allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$126,816 for 2024. Of this amount, \$11,286 is reported as pension obligation payable.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 12: **PENSION PLAN** (Continued)

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164. Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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

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

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

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

NOTE 12: **PENSION PLAN** (Continued)

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members' base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

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

	<u>Police</u>	<u>Firefighters</u>
2024 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2024 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$316,567 for 2024. Of this amount, \$36,380 is reported as pension obligation payable.

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

The net pension liability for OPERS was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

NOTE 12: **PENSION PLAN** (Continued)

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

OP&F's total pension liability was measured as of December 31, 2023, and was determined by rolling forward the total pension liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.005814%	0.0408421%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.005366%	0.0423889%	
Change in Proportionate Share	-0.000448%	0.0015468%	
Proportionate Share of the Net Pension Liability	\$ 1,404,841	\$ 4,095,348	\$ 5,500,189
Pension Expense	\$ 37,255	\$ 479,567	\$ 516,822

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 283,555	\$ 464,091	\$ 747,646
Differences between expected and actual experience	22,962	131,473	154,435
Changes of assumptions	-	258,822	258,822
Changes in proportion and differences between City contributions and proportionate share of contributions	-	285,972	285,972
City contributions subsequent to the measurement date	126,816	316,567	443,383
Total Deferred Outflows of Resources	<u>\$ 433,333</u>	<u>\$ 1,456,925</u>	<u>\$ 1,890,258</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 45,798	\$ 45,798
Changes of assumptions	-	62,192	62,192
Changes in proportion and differences between City contributions and proportionate share of contributions	87,526	78,241	165,767
Total Deferred Inflows of Resources	<u>\$ 87,526</u>	<u>\$ 186,231</u>	<u>\$ 273,757</u>

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

NOTE 12: **PENSION PLAN** (Continued)

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

\$443,383 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Pension Plan	OP&F	Total
2025	\$ (741)	\$ 271,640	\$ 270,899
2026	79,159	278,791	357,950
2027	180,952	358,918	539,870
2028	(40,379)	4,821	(35,558)
2029	-	38,797	38,797
Thereafter	-	1,160	1,160
Total	<u>\$ 218,991</u>	<u>\$ 954,127</u>	<u>\$ 1,173,118</u>

E. Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

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(CONTINUED)**

NOTE 12: **PENSION PLAN** (Continued)

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

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

	<u>Traditional Pension Plan</u>	<u>Combined Plan</u>
Wage Inflation		
Current Measurement Date:	2.75 percent	2.75 percent
Prior Measurement Date:	2.75 percent	2.75 percent
Future Salary Increases, including inflation		
Current Measurement Date:	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
Prior Measurement Date:	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA		
Pre 1/7/2013 retirees:	3 percent, simple	3 percent, simple
Post 1/7/2013 retirees:		
Current Measurement Date:	2.3 percent simple through 2024, then 2.05 percent simple	2.3 percent simple through 2024, then 2.05 percent simple
Prior Measurement Date:	3 percent, simple through 2023, then 2.05 percent simple	3 percent, simple through 2023, then 2.05 percent simple
Investment Rate of Return		
Current Measurement Date:	6.9 percent	6.9 percent
Prior Measurement Date:	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

NOTE 12: **PENSION PLAN** (Continued)

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

OPERS manages investments in investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 11.2 percent for 2023.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of the geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	24.00 %	2.85 %
Domestic Equities	21.00	4.27
Real Estate	13.00	44.46
Private Equity	15.00	7.52
International Equities	20.00	5.16
Risk Parity	2.00	4.38
Other investments	5.00	3.46
Total	<u>100.00 %</u>	

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

NOTE 12: **PENSION PLAN** (Continued)

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

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability	\$ 2,211,597	\$ 1,404,841	\$ 733,854

F. **Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2023 is based on the results of an actuarial valuation date of January 1, 2023, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

NOTE 12: **PENSION PLAN** (Continued)

F. Actuarial Assumptions – OP&F (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2023, are presented below:

Valuation Date	January 1, 2023, with actuarial liabilities rolled forward to December 31, 2023
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. All rates are projected using the MP-2021 Improvement Scale.

The most recent experience study was completed December 31, 2021.

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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NOTE 12: **PENSION PLAN** (Continued)

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Domestic Equity	18.60 %	4.10 %
International Equity	12.40	4.90
Core Fixed Income *	25.00	2.40
U.S. Inflation Linked Bonds *	15.00	2.10
High Yield Fixed Income	7.00	4.10
Private Real Estate	12.00	5.40
Private Markets	10.00	7.30
Midstream Energy Infrastructure	5.00	5.80
Private Credit	5.00	6.80
Real Assets	8.00	6.00
Gold	5.00	3.50
Commodities	2.00	3.50
Total	125.00 %	

Note: Assumptions are geometric

* levered 2.5x

** Geometric mean, net of expected inflation

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

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

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

NOTE 12: **PENSION PLAN** (Continued)

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

Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 5,424,593	\$ 4,095,348	\$ 2,989,951

NOTE 13: **DEFINED BENEFIT OPEB PLANS**

A. **Net OPEB Liability/Asset**

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

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

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

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

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, the 115 Health Care Trust, which was established in 2014 to fund health care for the Traditional Pension, Combined, and Member-Directed plans. With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

Retirees and eligible dependents enrolled in Medicare Parts A and B, and non-Medicare retirees beginning in 2022, are able to participate in the OPERS Connector in lieu of comprehensive health care coverage. The Connector, a vendor selected by OPERS, assist eligible retirees, spouses, and dependents in the evaluation, selection and purchase of a health care plan on the open market. Eligible retirees may receive a monthly allowance in their health reimbursement arrangement (HRA) account that can be used to reimburse eligible health care expenses.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022 or after must meet the following health care eligibility requirements to receive an HRA allowance:

1. Medicare Retirees – Medicare-eligible with a minimum of 20 years of qualifying service credit.
2. Non-Medicare Retirees – Non-Medicare retirees qualify based on the following age-and-service criteria:
 - a. Group A – 30 years of qualifying service credit at any age;
 - b. Group B – 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;
 - c. Group C – 32 years of qualifying service credit and minimum age 55; or,
 - d. A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

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

NOTE 13: DEFINED BENEFIT OPEB PLANS (Continued)

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

Members with a retirement date prior to January 1, 2022 who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

Retirement Date	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
December 1, 2014 or Prior	Any	10	Any	10	Any	10
January 1, 2015 through December 31, 2021	60	20	52	31	55	32
	Any	30	Any	32	60	20

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of covered payroll. In 2023, 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.

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

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The employer contribution as a percent of covered payroll deposited for the Combined Plan and Member-Directed Plan health care programs in 2024 was 2.0 percent and 4.0 percent, respectively.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$3,259 for 2024.

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

Plan Description – City contributes to the Ohio Police and Fire Pension Fund (OP&F) a cost-sharing, multiple-employer defined post-employment healthcare plan that provides various levels of health care to retired, disabled and beneficiaries, as well as their dependents. On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place. A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses. A summary of the full benefit provisions can be found in OP&F's annual comprehensive financial report.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75. The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll.

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

The City's contractually required contribution to OP&F was \$7,654 for 2024.

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

NOTE 13: DEFINED BENEFIT OPEB PLANS (Continued)

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

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2023, and was determined by rolling forward the total OPEB liability as of January 1, 2023, to December 31, 2023. The City's proportion of the net OPEB liability/asset was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability/Asset Prior Measurement Date	0.006059%	0.0408421%	
Proportion of the Net OPEB Liability/Asset Current Measurement Date	0.005442%	0.0423889%	
Change in Proportionate Share	-0.000617%	0.0015468%	
Proportionate Share of the Net OPEB (Asset)	\$ (49,115)	\$ -	\$ (49,115)
Proportionate Share of the Net OPEB Liability	\$ -	\$ 309,494	\$ 309,494
OPEB Expense	\$ (3,062)	\$ 18,066	\$ 15,004

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

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ -	\$ 14,882	\$ 14,882
Changes of assumptions	12,644	106,502	119,146
Net difference between projected and actual earnings on pension plan investments	29,498	22,853	52,351
Changes in proportion and differences between City contributions and proportionate share of contributions	4,784	47,192	51,976
City contributions subsequent to the measurement date	<u>3,259</u>	<u>7,654</u>	<u>10,913</u>
Total Deferred Outflows of Resources	<u>\$ 50,185</u>	<u>\$ 199,083</u>	<u>\$ 249,268</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 6,991	\$ 56,878	\$ 63,869
Changes of assumptions	21,113	199,306	220,419
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>-</u>	<u>14,657</u>	<u>14,657</u>
Total Deferred Inflows of Resources	<u>\$ 28,104</u>	<u>\$ 270,841</u>	<u>\$ 298,945</u>

\$10,913 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase to the net OPEB asset in 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2025	\$ 1,881	\$ 2,789	\$ 4,670
2026	3,939	(7,556)	(3,617)
2027	22,962	(1,724)	21,238
2028	(9,960)	(19,839)	(29,799)
2029	-	(24,515)	(24,515)
Thereafter	-	(28,567)	(28,567)
Total	<u>\$ 18,822</u>	<u>\$ (79,412)</u>	<u>\$ (60,590)</u>

E. Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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LAKE COUNTY, OHIO
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(CONTINUED)**

NOTE 13: DEFINED BENEFIT OPEB PLANS (Continued)

E. Actuarial Assumptions – OPERS (Continued)

Wage Inflation	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	2.75 percent
Projected Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent, including wage inflation
Prior Measurement Date:	2.75 to 10.75 percent, including wage inflation
Single Discount Rate:	
Current Measurement Date:	5.70 percent
Prior Measurement Date:	5.22 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current Measurement Date:	3.77 percent
Prior Measurement Date:	4.05 percent
Health Care Cost Trend Rate	
Current Measurement Date:	5.50 percent initial, 3.50 percent ultimate in 2038
Prior Measurement Date:	5.50 percent initial, 3.50 percent ultimate in 2036

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

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

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members.

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

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.0 percent for 2023.

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

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

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

The table below displays the Board-approved asset allocation policy for 2023 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00 %	2.82 %
Domestic Equities	25.00	4.27
Real Estate Investment Trust	5.00	4.68
International Equities	25.00	5.16
Risk Parity	3.00	4.38
Other investments	5.00	2.43
Total	100.00 %	

Discount Rate A single discount rate of 5.70percent was used to measure the OPEB liability on the measurement date of December 31, 2023. A single discount rate of 5.22 percent was used to measure the OPEB asset on the measurement date of December 31, 2022. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2070. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2070, and the municipal bond rate was applied to all health care costs after that date.

**CITY OF MENTOR-ON-THE-LAKE
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(CONTINUED)**

NOTE 13: DEFINED BENEFIT OPEB PLANS (Continued)

E. Actuarial Assumptions – OPERS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 5.70 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.70 percent) or one-percentage-point higher (6.70 percent) than the current rate:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
City's proportionate share of the net OPEB liability (asset)	\$ 26,992	\$ (49,115)	\$ (112,160)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2024 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ (51,155)	\$ (49,115)	\$ (46,801)

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

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. Actuarial Assumptions– OP&F

OP&F's total OPEB liability as of December 31, 2023, is based on the results of an actuarial valuation date of January 1, 2023, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 13: DEFINED BENEFIT OPEB PLANS (Continued)

F. Actuarial Assumptions– OP&F (Continued)

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

Valuation Date	January 1, 2023, with actuarial liabilities rolled forward to December 31, 2023
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.50 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.07 percent
Prior measurement date	4.27 percent
Cost of Living Adjustments	2.2 percent simple

Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. All rates are projected using the MP-2021 Improvement Scale.

Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. All rates are projected using the MP-2021 Improvement Scale.

The most recent experience study was completed for the five year period ended December 31, 2021

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2023, are summarized on the next page:

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	18.60 %	4.10 %
Non-US Equity	12.40	4.90
Core Fixed Income *	25.00	2.40
U.S. Inflation Linked Bonds *	15.00	2.10
High Yield Fixed Income	7.00	4.10
Private Real Estate	12.00	5.40
Private Markets	10.00	7.30
Midstream Energy Infrastructure	5.00	5.80
Private Credit	5.00	6.80
Real Assets	8.00	6.00
Gold	5.00	3.50
Commodities	2.00	3.50
Total	<u>125.00 %</u>	

Note: Assumptions are geometric

* levered 2.x

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

Discount Rate The total OPEB liability was calculated using the discount rate of 4.07 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2037, and the Municipal Bond Index rate of 3.38 percent was applied to periods on and after December 31, 2037, resulting in a discount rate of 4.07 percent.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

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

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.07 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.07 percent), or one percentage point higher (5.07 percent) than the current rate.

	1% Decrease (3.07%)	Current Discount Rate (4.07%)	1% Increase (5.07%)
City's proportionate share of the net OPEB liability	\$ 381,211	\$ 309,494	\$ 249,094

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**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 14: OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plan

City employees may participate in the Ohio Municipal League Master Deferred Compensation Plan through the Ohio Public Employees Deferred Compensation Program, the Aetna Life Insurance and Annuity Company, the Equitable Financial Companies Deferred Compensation Plan or the Security Benefit Life Insurance Company/Financial Network of America, in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years.

According to the plans, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

B. Compensated Absences

Employees earn vacation and sick leave at varying rates depending on the duration of employment. Vacation leave can be carried over for use in the following year. Sick leave accrual is continuous, without limit. Overtime worked is always paid to employees in the paycheck for the period in which it was earned, or it may be taken in the form of compensatory time, not to exceed 48 hours for non-union employees, 60 hours for union employees. Upon retirement or death employees are paid one-half of their leave balance, not to exceed a maximum of 480 hours of sick leave, except fire department employees who can receive a maximum of 600 hours of sick leave pay.

Upon retirement, termination, or death of the employee all compensatory time is paid and vacation leave balance is paid at his/her current rate of pay but not to exceed any accumulation greater than one week above their current accrued compensation step.

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 15: CONTINGENCIES

C. Grants

The City receives financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2024.

NOTE 16: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the City to the commercial company. The City continues to carry commercial insurance for other risks of loss, including employee health, dental, life, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years. There has been no significant reduction in insurance from prior year.

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

NOTE 17: BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)

NOTE 17: BUDGETARY BASIS OF ACCOUNTING (Continued)

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund and major special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

	<u>General</u>	<u>Safety Forces Levy</u>	<u>Police Levy</u>	<u>Fire Levy</u>
Budget basis	\$ (124,709)	\$ (9,559)	\$ (31,302)	\$ (84,598)
Net adjustment of revenue accruals	15,206	-	-	-
Net adjustment of expenditure accruals	(110,883)	(5,826)	(3,800)	(2,901)
Adjustment for encumbrances	16,438	-	4,203	1,062
GAAP basis	<u>\$ (176,417)</u>	<u>\$ (15,385)</u>	<u>\$ (30,899)</u>	<u>\$ (86,437)</u>

NOTE 18: FUND BALANCES

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)

NOTE 18: FUND BALANCES (Continued)

Fund Balances	General	Safety Forces Levy	Police Levy	Fire Levy	Other Governmental Funds	Total
<i>Nonspendable</i>						
Prepaid Items	\$ 24,272	\$ -	\$ 3,220	\$ 4,024	\$ -	\$ 31,516
Materials and Supplies Inventory	-	-	6,094	2,963	17,926	26,983
<i>Total Nonspendable</i>	<u>24,272</u>	<u>-</u>	<u>9,314</u>	<u>6,987</u>	<u>17,926</u>	<u>58,499</u>
<i>Restricted for</i>						
Police Pension	-	-	-	-	3,413	3,413
Safety Services	-	35,792	31,076	28,437	65,309	160,614
Other Law Enforcement	-	-	-	-	17,537	17,537
EMS Grant	-	-	-	-	1,207	1,207
FEMA Grants	-	-	-	-	1	1
ODNR Grant	-	-	-	-	422	422
OPIOD Settlement	-	-	-	-	17,241	17,241
Streets and Highways	-	-	-	-	392,516	392,516
Fire Grants	-	-	-	-	642	642
Fire Equipment	-	-	-	-	23,344	23,344
Parks and Recreation	-	-	-	-	115,295	115,295
Other Grants	-	-	-	-	7,022	7,022
Debt Service	-	-	-	-	116,740	116,740
OPWC Capital Projects	-	-	-	-	5,541	5,541
<i>Total Restricted</i>	<u>-</u>	<u>35,792</u>	<u>31,076</u>	<u>28,437</u>	<u>766,230</u>	<u>861,535</u>
<i>Committed to</i>						
McMinn Memorial Park	-	-	-	-	413	413
Labor Day Parade	-	-	-	-	1,119	1,119
Toys for Kids Program	-	-	-	-	24,703	24,703
Municipal Complex Renovations	-	-	-	-	1	1
Recreation Capital Projects	-	-	-	-	300,000	300,000
Radio Equipment	-	-	-	-	588	588
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,824</u>	<u>326,824</u>
<i>Assigned to</i>						
Planned 2025 Appropriations	1,521,890	-	-	-	-	1,521,890
General Government	13,088	-	-	-	-	13,088
Police Department	850	-	-	-	-	850
<i>Total Assigned</i>	<u>1,535,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,535,828</u>
<i>Unassigned (Deficit)</i>	<u>67,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,901)</u>	<u>46,782</u>
Total Fund Balances	<u><u>\$ 1,627,783</u></u>	<u><u>\$ 35,792</u></u>	<u><u>\$ 40,390</u></u>	<u><u>\$ 35,424</u></u>	<u><u>\$ 1,090,079</u></u>	<u><u>\$ 2,829,468</u></u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 19: OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of December 31, 2024, the City's commitments for encumbrances in the governmental funds were as follows:

	<u>Encumbrances Outstanding</u>
Major Funds:	
General	\$ 13,938
Police Levy	1,803
Fire Levy	1,062
Nonmajor Funds:	
Special Revenue Funds	13,782
Total	<u>\$ 30,585</u>

NOTE 20: JOINTLY GOVERNED ORGANIZATION

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 240 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the ten-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Chuck Keiper, Executive Director, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

NOTE 21: ACCOUNTABILITY

Fund balances at December 31, 2024 included the following individual fund deficit:

Major Governmental Funds:	<u>Deficit</u>
Storm-Water Grants	<u>\$ 20,901</u>

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

NOTE 22: SUBSEQUENT EVENT

On June 7, 2025, the City will issue a \$945,000 note.

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

Traditional Plan	2024	2023	2022
City's Proportion of the Net Pension Liability	0.005366%	0.005814%	0.006840%
City's Proportionate Share of the Net Pension Liability	\$ 1,404,841	\$ 1,717,458	\$ 595,108
City's Covered Payroll	\$ 883,200	\$ 901,193	\$ 993,714
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	159.06%	190.58%	59.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017	2016	2015
0.007150%	0.007434%	0.007488%	0.008222%	0.008703%	0.020318%	0.020421%
\$ 1,058,759	\$ 1,469,381	\$ 2,050,811	\$ 1,289,872	\$ 1,976,303	\$ 1,505,391	\$ 1,072,354
\$ 1,007,064	\$ 1,045,957	\$ 1,011,407	\$ 1,089,638	\$ 1,125,100	\$ 1,081,725	\$ 1,093,650
105.13%	140.48%	202.77%	118.38%	175.66%	139.17%	98.05%
86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%

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

Police	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.0262271%	0.0259423%	0.0245323%	0.0243437%
City's Proportionate Share of the Net Pension Liability	\$ 2,533,899	\$ 2,464,269	\$ 1,532,639	\$ 1,659,533
City's Covered Payroll	\$ 853,947	\$ 783,668	\$ 694,968	\$ 662,395
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	296.73%	314.45%	220.53%	250.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.63%	62.90%	75.03%	70.65%
Fire	2024	2023	2022	2021
City's Proportion of the Net Pension Liability	0.0161618%	0.0148998%	0.0164771%	0.0164771%
City's Proportionate Share of the Net Pension Liability	\$ 1,561,449	\$ 1,415,332	\$ 1,029,393	\$ 1,029,393
City's Covered Payroll	\$ 428,123	\$ 365,698	\$ 379,170	\$ 326,128
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	364.72%	387.02%	271.49%	315.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.63%	62.90%	75.03%	70.65%

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

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
0.0225305%	0.0239150%	0.0224830%	0.0239790%	0.0231850%	0.0241208%
\$ 1,517,773	\$ 1,952,096	\$ 1,379,896	\$ 1,518,808	\$ 1,491,501	\$ 1,249,558
\$ 594,200	\$ 600,863	\$ 545,668	\$ 572,858	\$ 544,053	\$ 523,204
255.43%	324.88%	252.88%	265.13%	274.15%	238.83%
69.89%	63.07%	70.91%	68.36%	66.77%	71.71%
2020	2019	2018	2017	2016	2015
0.0135161%	0.0136990%	0.0136200%	0.0141250%	0.0123310%	0.0090013%
\$ 910,514	\$ 1,118,200	\$ 835,933	\$ 894,691	\$ 793,237	\$ 466,305
\$ 303,489	\$ 279,643	\$ 268,583	\$ 274,183	\$ 223,694	\$ 188,843
300.02%	399.87%	311.24%	326.31%	354.61%	246.93%
69.89%	63.07%	70.91%	68.36%	66.77%	71.71%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contributions	\$ 126,816	\$ 123,648	\$ 126,167	\$ 139,120
Contributions in Relation to the Contractually Required Contribution	<u>(126,816)</u>	<u>(123,648)</u>	<u>(126,167)</u>	<u>(139,120)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 905,829	\$ 883,200	\$ 901,193	\$ 993,714
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 140,989	\$ 146,434	\$ 141,597	\$ 141,653	\$ 135,012	\$ 129,807
<u>(140,989)</u>	<u>(146,434)</u>	<u>(141,597)</u>	<u>(141,653)</u>	<u>(135,012)</u>	<u>(129,807)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,007,064	\$ 1,045,957	\$ 1,011,407	\$ 1,089,638	\$ 1,125,100	\$ 1,081,725
14.00%	14.00%	14.00%	13.00%	12.00%	12.00%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Contractually Required Contributions</u>				
Police	\$ 182,282	\$ 162,250	\$ 148,897	\$ 132,044
Fire	<u>134,285</u>	<u>100,609</u>	<u>85,939</u>	<u>89,105</u>
Total Required Contributions	\$ 316,567	\$ 262,859	\$ 234,836	\$ 221,149
Contributions in Relation to the Contractually Required Contribution	<u>(316,567)</u>	<u>(262,859)</u>	<u>(234,836)</u>	<u>(221,149)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>City's Covered Payroll</u>				
Police	\$ 959,379	\$ 853,947	\$ 783,668	\$ 694,968
Fire	\$ 571,426	\$ 428,123	\$ 365,698	\$ 379,170
<u>Pension Contributions as a Percentage of Covered Payroll</u>				
Police	19.00%	19.00%	19.00%	19.00%
Fire	23.50%	23.50%	23.50%	23.50%

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
\$ 125,855	\$ 112,898	\$ 114,164	\$ 103,677	\$ 108,843	\$ 103,370
<u>76,640</u>	<u>71,320</u>	<u>65,716</u>	<u>63,117</u>	<u>64,433</u>	<u>52,568</u>
\$ 202,495	\$ 184,218	\$ 179,880	\$ 166,794	\$ 173,276	\$ 155,938
<u>(202,495)</u>	<u>(184,218)</u>	<u>(179,880)</u>	<u>(166,794)</u>	<u>(173,276)</u>	<u>(155,938)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 662,395	\$ 594,200	\$ 600,863	\$ 545,668	\$ 572,858	\$ 544,053
\$ 326,128	\$ 303,489	\$ 279,643	\$ 268,583	\$ 274,183	\$ 223,694
19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
23.50%	23.50%	23.50%	23.50%	23.50%	23.50%

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

	2024	2023	2022
City's Proportion of the Net OPEB Liability/Asset	0.005442%	0.006059%	0.007053%
City's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (49,115)	\$ 38,203	\$ (220,911)
City's Covered Payroll	\$ 960,800	\$ 1,008,493	\$ 1,099,771
City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-5.11%	3.79%	-20.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	107.76%	94.79%	128.23%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.007265%	0.007463%	0.007538%	0.007920%	0.008310%
\$ (129,432)	\$ 1,030,834	\$ 982,777	\$ 860,054	\$ 839,338
\$ 1,098,750	\$ 1,127,571	\$ 1,093,334	\$ 1,121,459	\$ 1,148,293
-11.78%	91.42%	89.89%	76.69%	73.09%
115.57%	47.80%	46.33%	54.14%	54.04%

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

	2024	2023	2022
City's Proportion of the Net OPEB Liability	0.0423889%	0.0408421%	0.0410094%
City's Proportionate Share of the Net OPEB Liability	\$ 309,494	\$ 290,784	\$ 449,499
City's Covered Payroll	\$ 1,282,070	\$ 1,149,366	\$ 1,074,138
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	24.14%	25.30%	41.85%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.89%	52.59%	46.86%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

2021	2020	2019	2018	2017
0.0390952%	0.0360465%	0.0376137%	0.0361030%	0.0381000%
\$ 414,220	\$ 356,058	\$ 342,530	\$ 2,045,568	\$ 1,808,521
\$ 988,523	\$ 897,689	\$ 880,506	\$ 814,251	\$ 847,041
41.90%	39.66%	38.90%	251.22%	213.51%
45.42%	47.08%	46.57%	14.13%	15.96%

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS - OPEB
OHIO PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN YEARS**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 3,259	\$ 3,104	\$ 3,209	\$ 2,872
Contributions in Relation to the Contractually Required Contribution	<u>(3,259)</u>	<u>(3,104)</u>	<u>(3,209)</u>	<u>(2,872)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 987,290	\$ 960,800	\$ 1,008,493	\$ 1,099,771
Contributions as a Percentage of Covered Payroll	0.33%	0.32%	0.32%	0.26%

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
\$ 2,748	\$ 2,922	\$ 3,277	\$ 4,574	\$ 23,430	\$ 21,634
(2,748)	(2,922)	(3,277)	(4,574)	(23,430)	(21,634)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,098,750	\$ 1,127,571	\$ 1,093,334	\$ 1,121,459	\$ 1,148,293	\$ 1,105,186
0.25%	0.26%	0.30%	0.41%	2.04%	1.96%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 7,654	\$ 6,411	\$ 5,746	\$ 5,371
Contributions in Relation to the Contractually Required Contribution	<u>(7,654)</u>	<u>(6,411)</u>	<u>(5,746)</u>	<u>(5,371)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,530,805	\$ 1,282,070	\$ 1,149,366	\$ 1,074,138
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

See accompanying notes to the required supplementary information

2020	2019	2018	2017	2016	2015
\$ 4,943	\$ 4,488	\$ 4,402	\$ 4,071	\$ 4,235	\$ 4,154
(4,943)	(4,488)	(4,402)	(4,071)	(4,235)	(4,154)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 988,523	\$ 897,689	\$ 880,506	\$ 814,251	\$ 847,041	\$ 767,747
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED DECEMBER 31, 2024**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2024.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2023. For 2024, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were decreased from 3.00% simple through 2023 then 2.05% simple, to 2.30% simple through 2024 then 2.05% simple.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2024.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED DECEMBER 31, 2024**

For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034. For 2023, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22% (b) the municipal bond rate changed from 1.84% to 4.05% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2034 to 5.50% initial and 3.50% ultimate in 2036. For 2024, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 5.22% to 5.70% (b) the municipal bond rate changed from 4.05% to 3.77% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2036 to 5.50% initial and 3.50% ultimate in 2038.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2024.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019-2021, there have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date. For 2022, the investment rate of return was reduced from 8.00 percent to 7.50 percent. For 2023, Mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates 68 adjusted by 108.9% for males and 131% for females. Mortality for active members is based on the Pub-2010 Below Medium Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale. For 2024, the Municipal Bond Index Rate decreased from 3.65 percent to 3.38 percent.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018 and 2020-2024. For 2019, see below regarding changes to stipend-based model.

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED DECEMBER 31, 2024**

As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5% (c) the single discount rate changed from 3.24 percent to 4.66 percent. For 2020, the single discount rate changed from 4.66 to 3.56. For 2021, the single discount rate changed from 3.56 to 2.96. For 2022, the single discount rate changed from 2.96 to 2.84. For 2023, the changes of assumptions were: (a) the single discount rate changed from 2.84 percent to 4.27 percent (b) the depletion year of OPEB assets is projected in year 2036 (c) mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2% for males and 98.7% for females. Mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135% for males and 97.9% for females. Mortality for contingent annuitants is based on the Pub-2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9% for males and 131% for females. Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP-2021 Improvement Scale. For 2024, the changes of assumptions were: (a) the single discount rate changed from 4.27 to 4.07 (b) the depletion year of OPEB assets is projected in year 2038.

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

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

To the Members of City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor-on-the-Lake, Lake County, Ohio, (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2025, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

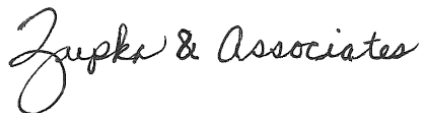
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses as item **2024-001**.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



Zupka & Associates
Certified Public Accountants

June 24, 2025

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Finding No. 2024-001 – Material Non-Compliance – Competitive Bidding

Statement of Condition/Criteria

Ohio Revised Code § 735.05 requires, in part, that “When an expenditure within the department, other than the compensation of persons employed in the department, exceeds the amount specified in section 9.17 of the Revised Code, the expenditure shall first be authorized and directed by ordinance of the city legislative authority. When so authorized and directed, except when the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code or available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, the director shall make a written contract with the lowest and best bidder after advertisement for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the city or as provided in section 7.16 of the Revised Code.”

Chapter 227.01 of the City’s Code of Ordinances requires, in part, that “No purchases or contracts involving the expenditure of more than fifty thousand dollars (\$50,000) shall be made, except with the lowest and best bidder, as determined by Council after advertising for bids for two consecutive weeks in a newspaper of general circulation within the Municipality. Contracts for professional services are excluded from this provision.”

During our review of contract expenditures, we noted that the City approved a contract during the audit period for a building improvement project which exceeded competitive bidding thresholds, but did not follow the requirements of the City’s Code of Ordinances or the Ohio Revised Code for advertising or selecting the lowest and best bidder.

The City directly contacted several local contractors and distributed flyers, instead of advertising per the requirements of the Ohio Revised Code § 735.05 and Chapter 227.01 of the City’s Code of Ordinances. Additionally, the City did not follow its established policies and procedures to evaluate and select the lowest and best bidder, and City Council did not formally approve the contract.

Cause/Effect

The City did not follow the requirements of Code of Ordinances Chapter 227.01 or the regulations of Ohio Revised Code § 735.05 regarding competitive bidding. As a result, the City was not in compliance with the applicable sections of the Code of Ordinances and Ohio Revised Code.

Recommendation

We recommend that the City ensure that all applicable contracts are subject to competitive bidding requirements in order to be in compliance with the City’s Code of Ordinances and the regulations of the Ohio Revised Code.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)**

Finding No. 2024-001 – Material Non-Compliance – Competitive Bidding (Continued)

City's Response

The City acknowledges the finding of non-compliance with the competitive bidding requirements set forth in Ohio Revised Code § 735.05 and Chapter 227.01 of the City's Code of Ordinances. This issue arose during a period of transition following the departure of the Director of Administration and Finance in November 2023 and the onboarding of a new Director at the end of February 2024. During this time, the City Council had already begun the budget appropriation process and, through a Council of the Whole session, approved an appropriation of \$200,000 for the building improvement project.

Due to the change in leadership and communication challenges within departments, the formal bidding and advertising process was inadvertently overlooked. While the Acting Service Director had performed much of the preliminary planning for the project, the City did not complete the statutory steps required to advertise and evaluate proposals in compliance with applicable laws.

The City recognizes this as a learning opportunity and is taking steps to ensure future compliance with both the Ohio Revised Code and the City's ordinances. These include:

- Conducting staff training on competitive bidding and procurement policies,
- Improving internal communication and documentation processes, and
- Strengthening oversight to ensure that Council authorization and statutory requirements are followed for all applicable contracts.

The City is committed to transparency, accountability, and continuous improvement in its procurement practices.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024**

The prior issued audit report, as of December 31, 2023, had no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF MENTOR-ON-THE-LAKE

LAKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/21/2025

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

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