



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor-on-the-Lake, Lake County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor-on-the-Lake, Lake County, Ohio, as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund, Safety Forces Levy Fund, Police Levy Fund and Fire Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 28, 2017

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

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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, 2016. 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 2016 are as follows:

- The total net position of the City decreased \$560,203.
- General revenues accounted for \$3,459,293 or 83.08 percent of total governmental activities revenue. Program specific revenues accounted for \$704,326 or 16.92 percent of total governmental activities revenue of \$4,163,619.
- The City had \$4,723,822 in expenses related to governmental activities; \$704,326 of these expenses were offset by program specific charges for services, grants and contributions.
- The City had five major funds consisting of the General Fund, the Safety Forces Levy Fund, the Police Levy Fund, the Fire Levy Fund, and the Stormwater Grants Fund.
- The General Fund had total revenues (including other financing sources) of \$2,266,915 in 2016. This represents an increase of \$379,913 from 2015 revenues. The expenditures (including other financing uses) of the General Fund, which totaled \$2,075,363 in 2016, increased \$42,228 from the same amount in 2015. The net increase in fund balance for the General Fund was \$191,552 or 225.43 percent.
- The Safety Forces Levy Fund had revenues of \$580,807 in 2016, which is an increase of \$1,661 from 2015 revenues. The expenditures in the Safety Forces Levy Fund totaled \$621,528 in 2016, which increased \$70,104 from 2015. The net decrease in fund balance was \$40,721, resulting in an ending deficit fund balance of \$8,447.
- The Police Levy Fund had revenues of \$414,469, which is an increase of \$5,249 from 2015 revenues. The expenditures totaled \$414,811 in 2016, which decreased \$1,858 from 2016 expenditures. The net decrease in fund balance was \$342, resulting in an ending fund balance of \$58,705.

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LAKE COUNTY, OHIO  
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- The Fire Levy Fund had revenues of \$330,100 in 2016, which is an increase of \$6,022 from 2015 revenues. The expenditures totaled \$338,243 in 2016, which increased \$56,041 from 2015 expenditures. The net decrease in fund balance was \$8,143, resulting in an ending fund balance of \$43,831.
- The Stormwater Grants Fund had revenues and other financing sources of \$400,000, which is an increase of \$400,000 from 2015 revenues. The expenditures totaled \$4,104 in 2016, which is an increase of \$4,104 from 2015 expenditures. The net increase in fund balance was \$395,896, resulting in an ending fund balance of \$395,896.

### **The Basic Financial Statements**

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

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

### **Reporting the City as a Whole**

#### ***Statement of Net Position and Statement of Activities***

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



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

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

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

### **Reporting the City's Most Significant Funds**

#### ***Fund Financial Statements***

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

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

#### ***Governmental Funds***

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

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

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

***Fiduciary Funds***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 36-87 of this report.

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Government-wide Financial Analysis**

The table below provides a summary of the City's net position for 2016 and 2015.

	<b>Net Position</b>	
	2016	2015
<b>ASSETS</b>		
Current and other assets	\$ 3,697,217	\$ 3,548,941
Capital assets, net	9,653,014	9,952,996
<b>Total Assets</b>	<b>13,350,231</b>	<b>13,501,937</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	1,264,587	416,915
<b>Total Deferred Outflows of Resources</b>	<b>1,264,587</b>	<b>416,915</b>
<b>LIABILITIES</b>		
Current liabilities	274,588	1,226,857
Long-term liabilities		
Due within one year	1,423,614	224,191
Due in more than one year:		
Net Pension Liability	3,790,129	2,788,217
Other Amounts	1,108,010	1,191,621
<b>Total Liabilities</b>	<b>6,596,341</b>	<b>5,430,886</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes	1,874,882	1,856,647
Pension	91,318	18,839
<b>Total Deferred Inflows of Resources</b>	<b>1,966,200</b>	<b>1,875,486</b>
<b>NET POSITION</b>		
Net investment in capital assets	7,823,311	7,944,698
Restricted	440,485	531,535
Unrestricted	(2,211,519)	(1,863,753)
<b>Total Net Position</b>	<b>\$ 6,052,277</b>	<b>\$ 6,612,480</b>

In 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,052,277. At year-end, unrestricted net position had a deficit of \$2,211,519. A portion of the City's net position, \$440,485, represents resources that are subject to external restriction on how they may be used.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 72.31 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings, furniture, fixtures and equipment, vehicles, and infrastructure. The net investment in capital assets component of net position at December 31, 2016, was \$7,823,311 for governmental activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The table below shows the changes in net position for fiscal year 2016 and 2015.

	<b>Changes in Net Position</b>	
	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Program Revenues:		
Charges for services	\$ 388,684	\$ 352,112
Operating grants and contributions	315,642	341,973
Total Program Revenues	<u>704,326</u>	<u>694,085</u>
General Revenues:		
Property taxes	1,939,047	1,982,792
Municipal Income taxes	942,358	903,066
Unrestricted grants and entitlements	519,887	515,192
Investment income	2,331	543
Gain on sale of capital assets	10,893	-
All other revenues	44,777	46,663
Total General Revenues	<u>3,459,293</u>	<u>3,448,256</u>
<b>Total Revenues</b>	<u>4,163,619</u>	<u>4,142,341</u>
<b>EXPENSES</b>		
Program Expenses:		
General government	729,154	762,798
Security of persons and property	2,785,448	2,371,054
Public health services	58,660	53,797
Transportation	1,084,221	952,219
Leisure time activities	24,251	28,109
Other	1,924	12,606
Interest and fiscal charges	40,164	38,485
<b>Total Expenses</b>	<u>4,723,822</u>	<u>4,219,068</u>
Change in Net Position	<u>(560,203)</u>	<u>(76,727)</u>
Net Position - Beginning of Year	<u>6,612,480</u>	<u>6,689,207</u>
<b>Net Position - End of Year</b>	<u>\$ 6,052,277</u>	<u>\$ 6,612,480</u>

Governmental activities' net position decreased \$560,203 in 2016. This decrease is primarily due to the City's expenses outpacing revenues in 2016.

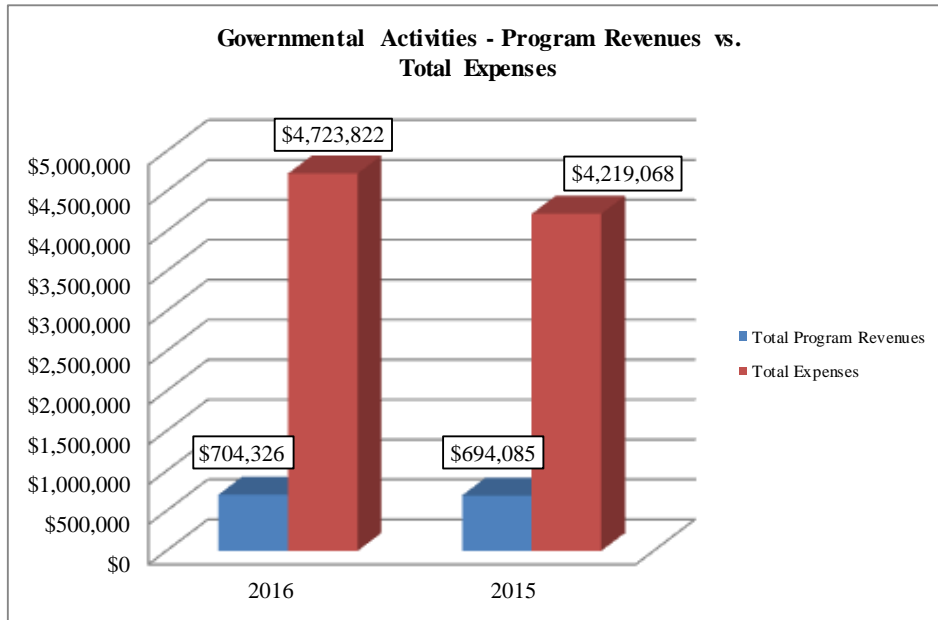
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,785,448, which accounted for 58.97 percent of the total expenses of the City. These expenses were partially funded by \$248,153 in direct charges to users of the services and operating grants and contributions. Transportation expenses totaled \$1,084,221, which accounted for 22.95 percent of the total expenses of the City. For 2016, depreciation expense of \$429,976 was 39.66 percent of the total Transportation expenses. General government expenses totaled \$729,154, which was partially funded by \$135,921 in direct charges to users of the services, grants and contributions.

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
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The state and federal government, along with similar agencies, contributed to the City a total of \$315,642 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the operating grants and contributions received, \$315,642 subsidized transportation programs.

General revenues totaled \$3,459,293 and amounted to 83.08 percent of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,881,405. 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 \$519,887.

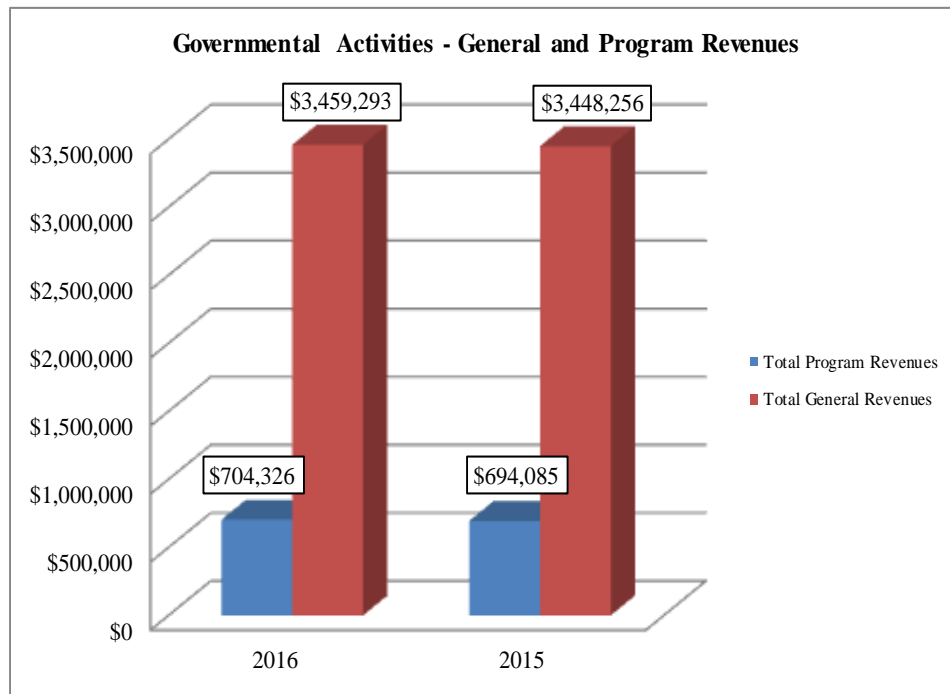
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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



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	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2016	2016	2015	2015
General government	\$ 729,154	\$ 593,233	\$ 762,798	\$ 601,913
Security of persons and property	2,785,448	2,537,295	2,371,054	2,158,856
Public health services	58,660	58,660	53,797	53,797
Transportation	1,084,221	768,579	952,219	635,277
Leisure time activities	24,251	19,641	28,109	24,049
Other	1,924	1,924	12,606	12,606
Interest and fiscal charges	40,164	40,164	38,485	38,485
<b>Total cost of service</b>	<b>\$ 4,723,822</b>	<b>\$ 4,019,496</b>	<b>\$4,219,068</b>	<b>\$ 3,524,983</b>

The City's dependence upon general revenues for governmental activities is apparent, with 73.23 percent of expenses supported through taxes and other general revenues.





**CITY OF MENTOR-ON-THE-LAKE  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on pages 24-25) reported a combined fund balance of \$933,094, which is \$1,114,513 higher than last year's combined deficit fund balance of \$181,419. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2016, for all major and nonmajor governmental funds.

	Fund Balances/ (Deficits) 12/31/2016	Fund Balances/ (Deficits) 12/31/2015	Increase (Decrease)
Major funds:			
General	\$ 276,523	\$ 84,971	\$ 191,552
Safety forces levy	(8,447)	32,274	(40,721)
Police levy	58,705	59,047	(342)
Fire levy	43,831	51,974	(8,143)
Stormwater grants	395,896	-	395,896
Other nonmajor governmental funds	166,586	(409,685)	576,271
Total	<u>\$ 933,094</u>	<u>\$ (181,419)</u>	<u>\$ 1,114,513</u>

**General Fund**

The City's General Fund balance increased \$191,552, primarily due to increase in revenues and the continuation of the trend of expenditures exceeding revenues. The table that follows assists in illustrating the revenues of the General Fund.

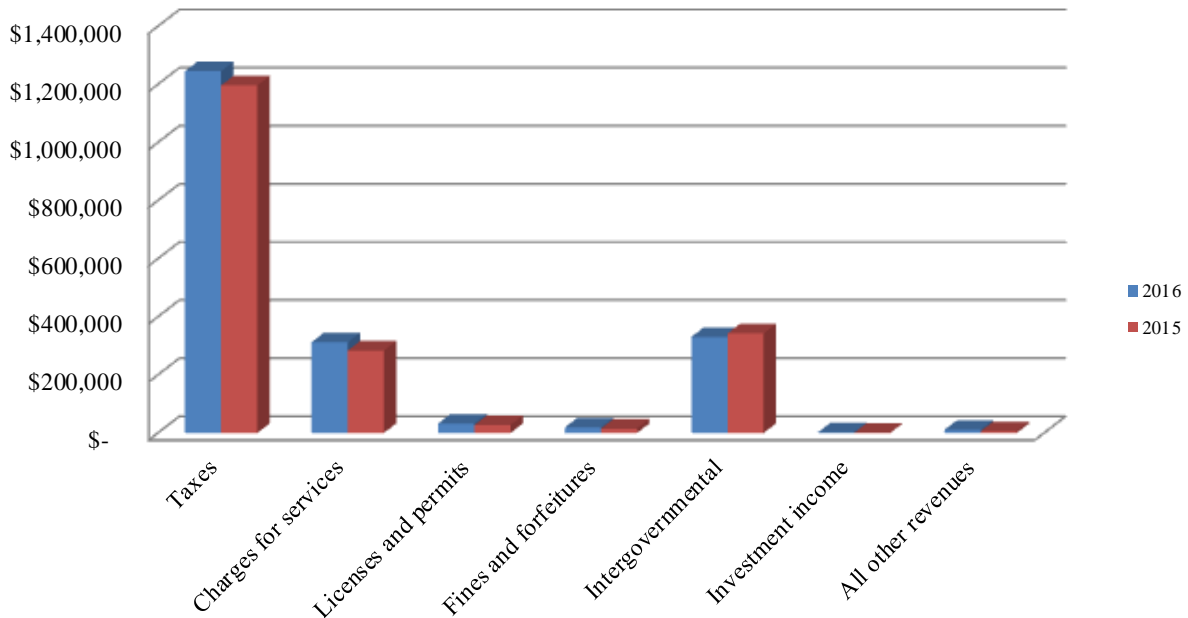
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	2016 Amount	2015 Amount	Percentage Change
<b>Revenues</b>			
Taxes	\$ 1,245,223	\$ 1,196,136	4.10%
Charges for services	312,238	283,706	10.06%
Licenses and permits	32,501	26,977	20.48%
Fines and forfeitures	18,730	14,974	25.08%
Intergovernmental	330,382	342,661	-3.58%
Investment income	2,020	433	366.51%
All other revenues	11,038	6,065	82.00%
<b>Total</b>	<b>\$ 1,952,132</b>	<b>\$ 1,870,952</b>	<b>4.34%</b>

Tax revenue represents 63.79 percent of all General Fund revenue. Income tax, property tax, and charges for services revenues experienced a slight increase during 2016.

The following graphs show the breakdown of General Fund revenues for 2016 and 2015:

**2016 vs. 2015 Revenue Comparison**



**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
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The table that follows assists in illustrating the expenditures of the General Fund.

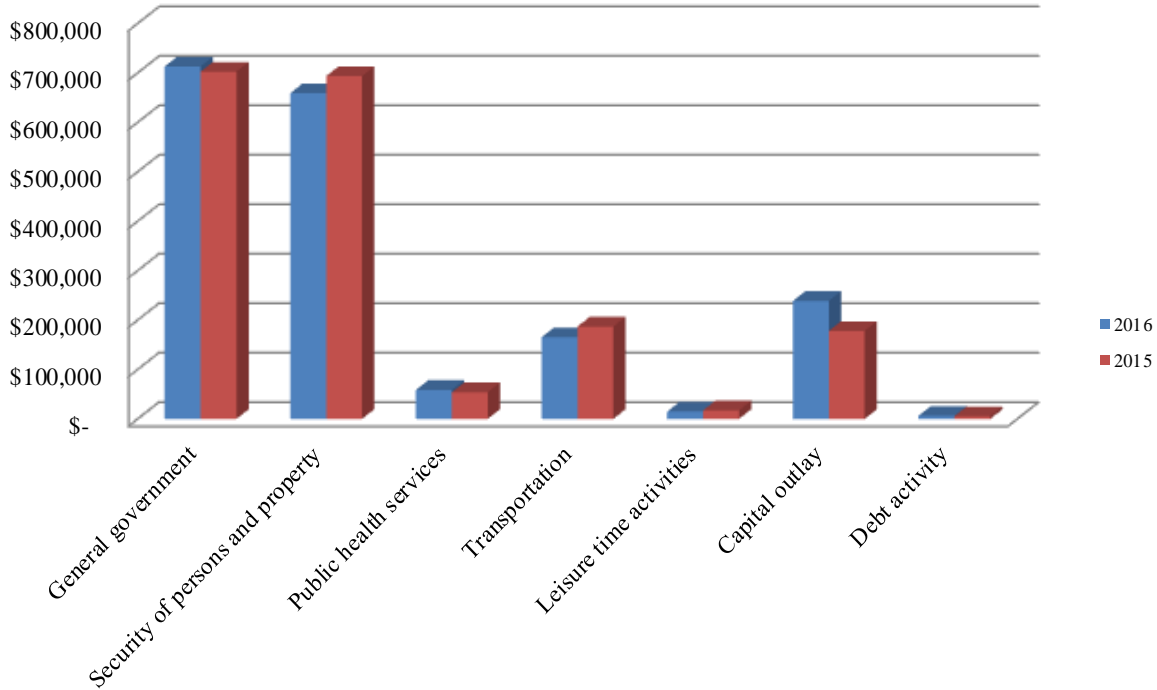
<u>Expenditures</u>	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Percentage Change</u>
General government	\$ 712,795	\$ 702,320	1.49%
Security of persons and property	658,892	693,439	-4.98%
Public health services	58,660	53,797	9.04%
Transportation	165,163	186,850	-11.61%
Leisure time activities	14,940	17,266	-13.47%
Capital outlay	238,583	177,897	34.11%
Debt activity	6,330	5,566	13.73%
Total	<u>\$ 1,855,363</u>	<u>\$ 1,837,135</u>	0.99%

The most significant increase was in the area of capital outlay due to an increase in capital purchases. Security of persons and property along with transportation experienced the most significant decreases in expenditures when compared to 2015.

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

The following graphs show the breakdown of General Fund expenditures for 2016 and 2015:

**2016 vs. 2015 Expenditures Comparison**



***Safety Forces Levy Fund***

The fund balance of the City’s Safety Forces Levy Fund decreased \$40,721, primarily due to an increase in expenditures exceeding the increase in revenues. Revenues increased from \$579,146 in 2015 to \$580,807 in 2016. 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 \$551,424 in 2015 to \$621,528 in 2016 because of increase in payroll expenses.

***Police Levy Fund***

The fund balance of the City’s Police Levy Fund decreased \$342. Revenues increased from \$409,220 in 2015 to \$414,469 in 2016. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by two tax levies totaling 9.20 mils. Expenditures decreased from \$416,669 in 2015 to \$414,811 in 2016.

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

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***Fire Levy Fund***

The fund balance of the City's Fire Levy Fund decreased \$8,143, primarily due to an increase in expenditures. Revenues increased from \$324,078 in 2015 to \$330,100 in 2016. 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 \$282,202 in 2015 to \$338,243 in 2016.

***Stormwater Grants Fund***

The fund balance of the City's Stormwater Grants Fund increased \$395,896 in fund balance from a fund balance of \$0 in 2015 to a fund balance of \$395,896 in 2016. The increase is due to note proceeds of \$400,000 to be used for the Lake Street storm sewer project.

***Budgeting Highlights***

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

Budgetary information is presented for the General Fund, the Safety Forces Levy Fund, the Police Levy Fund, and Fire Levy Fund. In the General Fund, actual revenues and other financing sources of \$1,936,341 were less than final budgeted revenues and other financing sources by \$168,105. Actual expenditures and other financing uses of \$2,134,249 were \$37,725 lower than the final budgeted amounts.

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

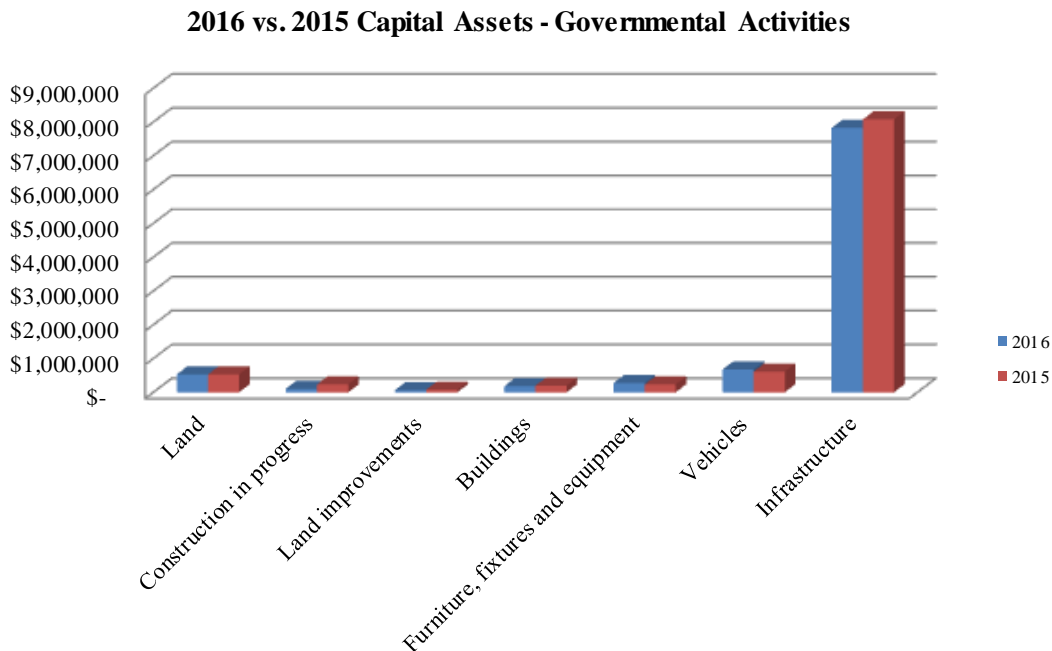
**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2016, the City had \$9,653,014 (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 2016 balances compared to 2015:

	<b>Capital Assets at December 31, (Net of Depreciation)</b>	
	Governmental Activities	
	2016	2015
Land	\$ 528,914	\$ 528,914
Construction in progress	107,660	236,427
Land improvements	66,152	78,595
Buildings	179,655	193,370
Furniture, fixtures and equipment	272,551	228,857
Vehicles	675,665	612,551
Infrastructure	7,822,417	8,074,282
Total Capital Assets	<u>\$ 9,653,014</u>	<u>\$ 9,952,996</u>

The following graphs show the breakdown of governmental capital assets by category for 2016 and 2015:



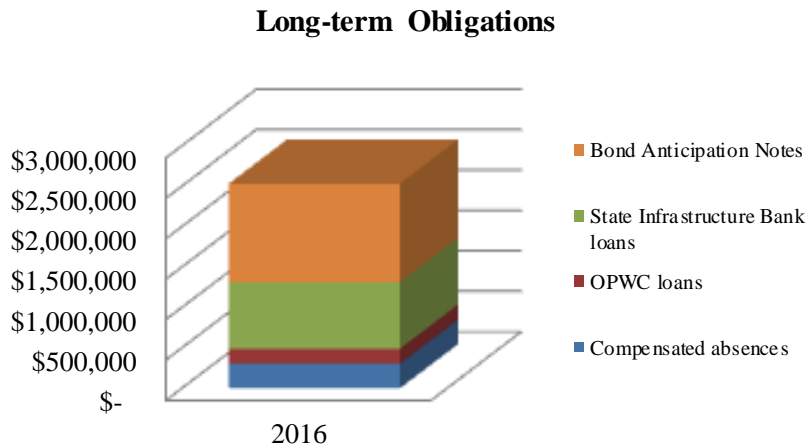
**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2016 and 2015. See Note 10 for details regarding the City's long-term obligations.

	2016	2015
Compensated absences	\$ 303,041	\$ 317,514
OPWC loans	185,471	213,615
State Infrastructure Bank loans	823,112	882,242
Capital leases	-	2,441
Bond Anticipation Notes	1,220,000	-
Total outstanding debt	\$ 2,531,624	\$ 1,415,812

A comparison of the long-term obligations of 2016 by category is depicted in the chart below.



**Economic Conditions and Outlook**

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

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

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The City's unexpended cash fund balances for the Operational Funds which include the General Fund, Police Pension Fund, Police Levy Fund, Fire Levy Fund, Safety Forces Fund, SCMR, Charter Police Levy, Charter Fire Levy Fund, Charter Road Levy Fund and the State Highway Fund for the period ending December 31, 2016 decreased by \$181,775. This decrease in fund balance was due mostly from capital improvement purchases, capital software improvements and staff retirement payouts. Also, expenditures for fiscal year 2016 were kept to a minimum knowing that fiscal year 2016 would reflect a continuation of static real estate assessed values due to the County Auditor's sexennial reappraisal. The County Auditor did a triennial reappraisal in calendar year 2015 which unfortunately resulted in a decrease of assessed value for the City of \$97,650 or .08%. The main reason for the reduction in assessed value was from the tax category of Public Utility Tangible. It is anticipated that the assessed value of the City will not see any material change for the next three fiscal years.

With the reduction of the property values to be in place for the next three fiscal years and no real hope of the State of Ohio restoring cuts to our Local Government Fund, the basic services provided to our residents will remain minimal, as the limited resources available must be allocated to projects most in need. During 2016, the City reviewed current and implemented new fee structures within the services provided which has reduced the monetary loss the City was absorbing in past years. Until the County Auditor performs the next sexennial reappraisal, anticipated in 2018, the City's revenues are expected to remain flat.

In conclusion, the implementation of GASB Statement No. 68 requires the reader to perform additional calculations to determine the City's Total Net Position at December, 2016 without the implementation of GASB Statement No. 68. This is an important exercise, as the State Pension Systems (OPERS & OP&F) collect, hold and distributes pensions to our employees, not the City of Mentor-on-the-Lake. These calculations are as follows:

Total Net Position at December 31, 2016 (with GASB 68)	\$ 6,052,277
GASB 68 Calculations:	
Add: Deferred Inflows related to Pension	91,318
Net Pension Liability	3,790,129
Less: Deferred Outflows related to Pension	(1,264,587)
Total Net Position at December 31, 2016 (without GASB 68)	\$ 8,669,137

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



## ***BASIC FINANCIAL STATEMENTS***

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,017,692
Materials and Supplies Inventory	12,392
Accounts Receivable	25,001
Intergovernmental Receivable	413,013
Prepaid Items	15,254
Municipal Income Taxes Receivable	249,116
Property Taxes Receivable	1,962,784
Special Assessments Receivable	1,965
Nondepreciable Capital Assets	636,574
Depreciable Capital Assets	9,016,440
<b>Total Assets</b>	<b>13,350,231</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	1,264,587
<b>Deferred Outflows of Resources</b>	<b>1,264,587</b>
<b>LIABILITIES</b>	
Accounts Payable	30,957
Accrued Wages and Benefits	98,157
Intergovernmental Payable	7,593
Pension Obligation Payable	38,395
Accrued Interest Payable	11,158
Unearned Revenue	88,328
Long-term Liabilities:	
Due within one year	1,423,614
Due in more than one year:	
Net Pension Liability (See Note 11)	3,790,129
Other amounts due in more than one year	1,108,010
<b>Total Liabilities</b>	<b>6,596,341</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	1,874,882
Pension	91,318
<b>Deferred Inflows of Resources</b>	<b>1,966,200</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	7,823,311
Restricted for:	
Debt Services	29,025
Capital Projects	11,354
Street Construction, Maintenance and Repair	204,480
Fire and Safety Services	144,881
Other Purposes	50,745
Unrestricted	(2,211,519)
<b>Total Net Position</b>	<b>\$ 6,052,277</b>

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, 2016**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Security of Persons and Property	\$ 2,785,448	\$ 248,153	\$ -	\$ (2,537,295)
Public Health Services	58,660	-	-	(58,660)
Leisure Time Activities	24,251	4,610	-	(19,641)
Transportation	1,084,221	-	315,642	(768,579)
General Government	729,154	135,921	-	(593,233)
Other	1,924	-	-	(1,924)
Interest and Fiscal Charges	40,164	-	-	(40,164)
<b>Total Governmental activities</b>	<u>\$ 4,723,822</u>	<u>\$ 388,684</u>	<u>\$ 315,642</u>	<u>(4,019,496)</u>
<b>General Revenues:</b>				
Property Taxes levied for:				
General Purposes				310,510
Other Purposes				1,628,537
Municipal Income Taxes levied for:				
General Purposes				942,358
Grants & Entitlements not restricted to specific programs				519,887
Investment Income				2,331
Gain on Sale of Capital Assets				10,893
All Other Revenues				44,777
Total General Revenues				<u>3,459,293</u>
Change in Net Position				(560,203)
Net Position - Beginning of Year				6,612,480
<b>Net Position - End of Year</b>				<u>\$ 6,052,277</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, 2016**

	<u>General</u>	<u>Safety Forces Levy</u>	<u>Police Levy</u>
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 215,363	\$ 28,423	\$ 57,537
Materials and Supplies Inventory	-	-	4,328
Accounts Receivable	22,765	-	-
Intergovernmental Receivable	162,761	39,099	24,229
Prepaid Items	12,175	-	2,229
Municipal Income Taxes Receivable	249,116	-	-
Property Taxes Receivable	310,052	500,320	349,302
Special Assessments Receivable	1,965	-	-
<b>Total Assets</b>	<u>\$ 974,197</u>	<u>\$ 567,842</u>	<u>\$ 437,625</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 17,233	\$ -	\$ 1,050
Accrued Wages and Benefits	32,007	36,870	4,339
Intergovernmental Payable	6,146	-	-
Pension Obligation Payable	25,190	-	-
Accrued Interest Payable	1,939	-	-
Unearned Revenue	1,865	-	-
<i>Total Liabilities</i>	<u>84,380</u>	<u>36,870</u>	<u>5,389</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	286,182	476,973	349,302
Unavailable Revenue - Delinquent Property Taxes	23,870	23,347	-
Unavailable Revenue - Income Taxes	163,663	-	-
Unavailable Revenue - Other	139,579	39,099	24,229
<i>Total Deferred Inflows of Resources</i>	<u>613,294</u>	<u>539,419</u>	<u>373,531</u>
<b>Fund Balances:</b>			
Nonspendable	12,175	-	6,557
Restricted	-	-	52,148
Committed	21,829	-	-
Assigned	2,565	-	-
Unassigned (Deficit)	239,954	(8,447)	-
<i>Total Fund Balances</i>	<u>276,523</u>	<u>(8,447)</u>	<u>58,705</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 974,197</u>	<u>\$ 567,842</u>	<u>\$ 437,625</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, 2016  
(CONTINUED)**

<u>Fire Levy</u>	<u>Stormwater Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 63,345	\$ 398,880	\$ 254,144	\$ 1,017,692
615	-	7,449	12,392
-	-	2,236	25,001
19,285	-	167,639	413,013
850	-	-	15,254
-	-	-	249,116
297,234	-	505,876	1,962,784
-	-	-	1,965
<u>\$ 381,329</u>	<u>\$ 398,880</u>	<u>\$ 937,344</u>	<u>\$ 3,697,217</u>
\$ 8,216	\$ -	\$ 4,458	\$ 30,957
3,477	-	21,464	98,157
989	-	458	7,593
8,297	-	4,908	38,395
-	2,984	4,177	9,100
-	-	86,463	88,328
<u>20,979</u>	<u>2,984</u>	<u>121,928</u>	<u>272,530</u>
277,820	-	484,605	1,874,882
19,414	-	21,271	87,902
-	-	-	163,663
19,285	-	142,954	365,146
<u>316,519</u>	<u>-</u>	<u>648,830</u>	<u>2,491,593</u>
1,465	-	7,449	27,646
42,366	395,896	139,371	629,781
-	-	41,576	63,405
-	-	-	2,565
-	-	(21,810)	209,697
<u>43,831</u>	<u>395,896</u>	<u>166,586</u>	<u>933,094</u>
<u>\$ 381,329</u>	<u>\$ 398,880</u>	<u>\$ 937,344</u>	<u>\$ 3,697,217</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, 2016**

<b>Total Governmental Fund Balances</b>		\$ 933,094
<i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>		
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		9,653,014
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	87,902	
Municipal Income taxes	163,663	
Intergovernmental revenues	365,146	
Total		616,711
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(2,058)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,264,587	
Deferred Inflows - Pension	(91,318)	
Net Pension Liability	(3,790,129)	
Total		(2,616,860)
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	(185,471)	
Compensated absences	(303,041)	
SIB loan	(823,112)	
Bond anticipation notes	(1,220,000)	
Total		(2,531,624)
<b>Net Position of Governmental Activities</b>		<b>\$ 6,052,277</b>

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

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**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>General Fund</b>	<b>Safety Forces Levy</b>	<b>Police Levy</b>
<b>REVENUES</b>			
Property Taxes	\$ 301,911	\$ 502,498	\$ 365,567
Municipal Income Taxes	943,312	-	-
Intergovernmental	330,382	78,197	48,458
Investment Income	2,020	112	32
Licenses and Permits	32,501	-	-
Fines and Forfeitures	18,730	-	-
Charges for Services	312,238	-	-
All Other Revenues	11,038	-	412
<b>Total Revenues</b>	<b>1,952,132</b>	<b>580,807</b>	<b>414,469</b>
<b>EXPENDITURES</b>			
Security of Persons and Property	658,892	621,528	414,811
Public Health Services	58,660	-	-
Leisure Time Activities	14,940	-	-
Transportation	165,163	-	-
General Government	712,795	-	-
Capital Outlay	238,583	-	-
Debt Service:			
Principal Retirement	2,441	-	-
Interest and Fiscal Charges	3,889	-	-
Other	-	-	-
<b>Total Expenditures</b>	<b>1,855,363</b>	<b>621,528</b>	<b>414,811</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,769	(40,721)	(342)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	10,893	-	-
Notes Issued	260,000	-	-
Transfers In	43,890	-	-
Transfers Out	(220,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>94,783</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	191,552	(40,721)	(342)
Fund Balances - Beginning of Year	84,971	32,274	59,047
<b>Fund Balances - End of Year</b>	<b>\$ 276,523</b>	<b>\$ (8,447)</b>	<b>\$ 58,705</b>

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, 2016  
(CONTINUED)**

<u>Fire Levy</u>	<u>Stormwater Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 290,763	\$ -	\$ 505,483	\$ 1,966,222
-	-	-	943,312
38,570	-	339,302	834,909
72	-	95	2,331
-	-	-	32,501
-	-	1,993	20,723
-	-	28,064	340,302
695	-	32,632	44,777
<u>330,100</u>	<u>-</u>	<u>907,569</u>	<u>4,185,077</u>
338,243	-	477,165	2,510,639
-	-	-	58,660
-	-	-	14,940
-	-	462,806	627,969
-	-	4,800	717,595
-	1,120	-	239,703
-	-	87,274	89,715
-	2,984	33,439	40,312
-	-	1,924	1,924
<u>338,243</u>	<u>4,104</u>	<u>1,067,408</u>	<u>4,301,457</u>
<u>(8,143)</u>	<u>(4,104)</u>	<u>(159,839)</u>	<u>(116,380)</u>
-	-	-	10,893
-	400,000	560,000	1,220,000
-	-	277,908	321,798
-	-	(101,798)	(321,798)
<u>-</u>	<u>-</u>	<u>(101,798)</u>	<u>(321,798)</u>
<u>-</u>	<u>400,000</u>	<u>736,110</u>	<u>1,230,893</u>
<u>(8,143)</u>	<u>395,896</u>	<u>576,271</u>	<u>1,114,513</u>
51,974	-	(409,685)	(181,419)
<u>\$ 43,831</u>	<u>\$ 395,896</u>	<u>\$ 166,586</u>	<u>\$ 933,094</u>

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

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2016**

<b>Net Change in Fund Balances--Total Governmental Funds</b>	\$	1,114,513
<i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay	239,703	
Depreciation	<u>(539,685)</u>	
Total		(299,982)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(27,175)	
Municipal Income taxes	(954)	
Intergovernmental revenues	620	
Charges for services	<u>(4,842)</u>	
Total		(32,351)
Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of notes.		
		(1,220,000)
Repayment of long-term debt and capital lease obligations are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		89,715
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows		
		308,288
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(535,007)
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	14,473	
Accrued interest on bonds	<u>148</u>	
Total		<u>14,621</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>(560,203)</u></u></b>

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 – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 286,920	\$ 301,910	\$ 301,911	\$ 1
Municipal Income Taxes	870,000	874,623	926,780	52,157
Intergovernmental	328,020	313,450	330,764	17,314
Investment Income	300	300	2,020	1,720
Licenses and Permits	37,300	29,413	32,466	3,053
Fines and Forfeitures	20,000	20,262	20,262	-
Charges for Services	199,950	194,600	230,580	35,980
All Other Revenues	71,000	87,241	88,799	1,558
<b>TOTAL REVENUES</b>	<u>1,813,490</u>	<u>1,821,799</u>	<u>1,933,582</u>	<u>111,783</u>
<b>EXPENDITURES</b>				
Current:				
Security of Persons and Property	683,990	682,860	675,155	7,705
Public Health Services	58,660	58,660	58,660	-
Leisure Time Activities	14,550	15,250	15,128	122
Transportation	221,050	215,981	208,193	7,788
General Government	701,030	703,535	685,785	17,750
Capital Outlay	238,644	243,229	240,274	2,955
<b>TOTAL EXPENDITURES</b>	<u>1,917,924</u>	<u>1,919,515</u>	<u>1,883,195</u>	<u>36,320</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(104,434)</u>	<u>(97,716)</u>	<u>50,387</u>	<u>148,103</u>
<b>OTHER FINANCING SOURCES ( USES)</b>				
Proceeds of Notes	220,000	240,000	-	(240,000)
Transfers - Out	(220,000)	(220,000)	(220,000)	-
Other Financing Sources	2,000	2,759	2,759	-
Other Financing Uses	(34,050)	(32,459)	(31,054)	1,405
<b>Total Other Financing Sources (Uses)</b>	<u>(32,050)</u>	<u>(9,700)</u>	<u>(248,295)</u>	<u>(238,595)</u>
Net Change in Fund Balance	(136,484)	(107,416)	(197,908)	(90,492)
Fund Balance - Beginning of Year	261,843	261,843	261,843	-
Prior Year Encumbrances Appropriated	150,574	150,574	150,574	-
<b>Fund Balance - End of Year</b>	<u>\$ 275,933</u>	<u>\$ 305,001</u>	<u>\$ 214,509</u>	<u>\$ (90,492)</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 – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
SAFETY FORCES LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 476,554	\$ 502,498	\$ 502,498	\$ -
Intergovernmental	76,294	78,196	78,197	1
Investment Income	50	109	112	3
<b>TOTAL REVENUES</b>	<u>552,898</u>	<u>580,803</u>	<u>580,807</u>	<u>4</u>
<b>EXPENDITURES</b>				
Current:				
Security of Persons and Property	591,390	591,390	590,881	509
<b>TOTAL EXPENDITURES</b>	<u>591,390</u>	<u>591,390</u>	<u>590,881</u>	<u>509</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(38,492)</u>	<u>(10,587)</u>	<u>(10,074)</u>	<u>513</u>
Net Change in Fund Balance	(38,492)	(10,587)	(10,074)	513
Fund Balance - Beginning of Year	38,497	38,497	38,497	-
<b>Fund Balance - End of Year</b>	<u>\$ 5</u>	<u>\$ 27,910</u>	<u>\$ 28,423</u>	<u>\$ 513</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 – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
POLICE LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 346,840	\$ 365,566	\$ 365,566	\$ -
Intergovernmental	47,820	48,458	48,458	-
Investment Income	100	28	31	3
All Other Revenues	-	203	412	209
<b>TOTAL REVENUES</b>	<u>394,760</u>	<u>414,255</u>	<u>414,467</u>	<u>212</u>
<b>EXPENDITURES</b>				
Current:				
Security of Persons and Property	464,040	464,040	428,776	35,264
<b>TOTAL EXPENDITURES</b>	<u>464,040</u>	<u>464,040</u>	<u>428,776</u>	<u>35,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(69,280)</u>	<u>(49,785)</u>	<u>(14,309)</u>	<u>35,476</u>
Net Change in Fund Balance	(69,280)	(49,785)	(14,309)	35,476
Fund Balance - Beginning of Year	69,286	69,286	69,286	-
Prior Year Encumbrances Appropriated	731	731	731	-
<b>Fund Balance - End of Year</b>	<u>\$ 737</u>	<u>\$ 20,232</u>	<u>\$ 55,708</u>	<u>\$ 35,476</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 – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FIRE LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 275,870	\$ 290,763	\$ 290,763	\$ -
Intergovernmental	38,050	38,570	38,570	-
Investment Income	50	68	72	4
All Other Revenues	-	695	695	-
<b>TOTAL REVENUES</b>	<u>313,970</u>	<u>330,096</u>	<u>330,100</u>	<u>4</u>
<b>EXPENDITURES</b>				
Current:				
Security of Persons and Property	364,390	364,390	348,759	15,631
<b>TOTAL EXPENDITURES</b>	<u>364,390</u>	<u>369,390</u>	<u>348,759</u>	<u>20,631</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(50,420)</u>	<u>(39,294)</u>	<u>(18,659)</u>	<u>20,635</u>
Net Change in Fund Balance	(50,420)	(39,294)	(18,659)	20,635
Fund Balance - Beginning of Year	51,429	51,429	51,429	-
Prior Year Encumbrances Appropriated	18,981	18,981	18,981	-
<b>Fund Balance - End of Year</b>	<u>\$ 19,990</u>	<u>\$ 31,116</u>	<u>\$ 51,751</u>	<u>\$ 20,635</u>

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

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2016**

	<b>Agency Funds</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 104,062
Cash and Cash Equivalents in Segregated Accounts	16,544
<b>Total Assets</b>	<b>\$ 120,606</b>
 <b>Liabilities</b>	
Deposits Held and Due to Others	16,544
Undistributed Monies	104,062
<b>Total Liabilities</b>	<b>\$ 120,606</b>

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, 2016**

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NOTE 1: **DESCRIPTION OF THE CITY**

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

The City participates in the Northeast Ohio Public Energy Council (NOPEC), a jointly governed organization. Note 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, 2016**  
**(CONTINUED)**

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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, 2016**  
**(CONTINUED)**

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

**C. Fund Accounting**

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

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

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

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

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

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

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

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

**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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

C. **Fund Accounting** (Continued)

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

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

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

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

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

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

**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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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, 2016**  
**(CONTINUED)**

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

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

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

*Deferred Outflows/Inflows of Resources* - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the governmental-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance year 2017 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 11).

*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, 2016**  
**(CONTINUED)**

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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 2016.

**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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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 2016, 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, 2016  
(CONTINUED)**

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

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

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

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

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$2,020 which includes \$1,690 assigned from other funds.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market 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, 2016  
(CONTINUED)**

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

H. **Capital Assets** (Continued)

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

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

I. **Compensated Absences**

The City follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time and compensatory time when earned for all employees with more than one year of service.

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

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

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

**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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

I. **Compensated Absences** (Continued)

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave are paid. There was no short-term compensated absences payable at December 31, 2016.

J. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

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

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

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

L. **Pensions**

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

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**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**M. Interfund Activity**

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

**N. Fund Balance**

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

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

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

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

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

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

N. **Fund Balance** (Continued)

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

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

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

O. **Estimates**

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

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

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

**P. Net Position**

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

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

**Q. Extraordinary and/or Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 3: **ACCOUNTABILITY**

A. **Changes in Accounting Principles**

GASB Statement No. 72, *Fair Value Measurement of Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP).

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

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

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NOTE 3: **ACCOUNTABILITY** (Continued)

A. **Changes in Accounting Principles** (Continued)

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

These GASB statements did not have an effect on the city's financial statements.

B. **Deficit Fund Balances**

Fund balances at December 31, 2016, included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
Safety Forces Levy	\$ 8,447
 <u>Nonmajor Funds</u>	
Charter Fire Levy	14,080
OPWC - Holly Drive	261
Andrews Road Construction	3,580
Fire Vehicle	3,889

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities in these funds.

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

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NOTE 4: **DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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



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**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

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

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

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

A. **Cash on Hand**

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

B. **Deposits with Financial Institutions**

At December 31, 2016, the carrying amount of all City deposits was \$796,053. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2016, \$364,585 of the City’s bank balance of \$806,307 was exposed to custodial risk as discussed below, while \$441,722 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits in excess of coverage provided by the Federal Deposit Insurance Corporation (FDIC) are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the Federal Reserve System in the name of the respective depository bank but not in the name of the City, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at the Federal Reserve Bank in the name of the City.

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, 2016. As previously discussed STAR Ohio is reported at its net asset value.

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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

C. **Investments** (Continued)

As of December 31, 2016, the City had the following investments and maturities:

<u>Investment Type</u>	<u>NAV</u>	<u>Investment Maturities 6 Months or Less</u>
STAR Ohio	<u>\$ 341,635</u>	<u>\$ 341,635</u>

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

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

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2016:

<u>Investment Type</u>	<u>NAV</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 341,635</u>	<u>100.00 %</u>

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, 2016:

<u>Cash and Investments per Note</u>	
Cash on Hand	\$ 610
Carrying Amount of Deposits	796,053
Investments	<u>341,635</u>
<b>Total Cash and Investments per Note</b>	<b><u>\$ 1,138,298</u></b>
 <u>Cash and Cash Equivalents per Statements</u>	
Governmental Activities	\$ 1,017,692
Agency Funds	<u>120,606</u>
<b>Total Cash and Investments per Statements</b>	<b><u>\$ 1,138,298</u></b>

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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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. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, 2016, was \$27.80 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2016 property tax receipts were based are as follows:

Real Property Tax	\$ 122,181,540
Public Utility Tangible Personal Property Tax	<u>5,792,250</u>
<b>Total Assessed Valuation</b>	<b><u>\$ 127,973,790</u></b>

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 5: **TAXES** (Continued)

A. **Property Taxes** (Continued)

Property taxes receivables represent real and public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2016. 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 \$943,312 on the modified accrual basis for fiscal year 2016.

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2016, 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, 2016.

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

<u>Governmental Activities</u>	
Property Taxes	\$ 1,962,784
Municipal Income Taxes	249,116
Accounts	25,001
Intergovernmental:	
Homestead & Rollback Reimbursements	116,671
Local Government	138,946
Gasoline & Excise Taxes/Auto Registration	157,015
Other	381

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

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

**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balances 12/31/2015	Additions	Disposals	Balances 12/31/2016
<b>Governmental Activities</b>				
Nondepreciable Assets:				
Land	\$ 528,914	\$ -	\$ -	\$ 528,914
Construction in progress	236,427	56,218	(184,985)	107,660
Total Nondepreciable Assets	<u>765,341</u>	<u>56,218</u>	<u>(184,985)</u>	<u>636,574</u>
Depreciable Assets:				
Land Improvements	234,577	-	-	234,577
Buildings	629,380	5,135	-	634,515
Furniture, fixtures and equipment	489,434	74,980	-	564,414
Vehicles	1,514,940	150,900	-	1,665,840
Infrastructure:				
Roads	8,692,840	137,455	-	8,830,295
Storm sewers	989,647	-	-	989,647
Total Depreciable Assets	<u>12,550,818</u>	<u>368,470</u>	<u>-</u>	<u>12,919,288</u>
Less Accumulated Depreciation				
Land Improvements	(155,982)	(12,443)	-	(168,425)
Buildings	(436,010)	(18,850)	-	(454,860)
Furniture, fixtures and equipment	(260,577)	(31,286)	-	(291,863)
Vehicles	(902,389)	(87,786)	-	(990,175)
Infrastructure:				
Roads	(1,434,363)	(368,140)	-	(1,802,503)
Storm sewers	(173,842)	(21,180)	-	(195,022)
Total Accumulated Depreciation	<u>(3,363,163)</u>	<u>(539,685)*</u>	<u>-</u>	<u>(3,902,848)</u>
Total Depreciable Assets, Net	<u>9,187,655</u>	<u>(171,215)</u>	<u>-</u>	<u>9,016,440</u>
<b>Governmental Activities Capital Assets, Net</b>	<u><b>\$ 9,952,996</b></u>	<u><b>\$ (114,997)</b></u>	<u><b>\$ (184,985)</b></u>	<u><b>\$ 9,653,014</b></u>

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

Security of Persons and Property:	\$ 73,949
Leisure Time Activities	9,311
Transportation	429,976
General Government	26,449
Total Depreciation Expense	<u><u>\$ 539,685</u></u>

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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**NOTE 8: INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers to:</u>	<u>Transfers from:</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 43,890	\$ 43,890
Nonmajor Governmental Funds	220,000	57,908	277,908
	<u>\$220,000</u>	<u>\$ 101,798</u>	<u>\$321,798</u>

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

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

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

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

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NOTE 9: **NOTES PAYABLE**

The City had the following outstanding bond anticipation notes at December 31, 2016:

	Interest Rate	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016
Various purpose improvements					
Bond anticipation notes, 2015	1.40%	910,000	-	(910,000)	-
Total Notes Payable		<u>\$ 910,000</u>	<u>\$ -</u>	<u>\$ (910,000)</u>	<u>\$ -</u>

During 2016, the City retired the \$910,000 bond anticipation notes that were due on June 16, 2016, with the proceeds from the issuance of \$1,220,000 in 2016 bond anticipation notes recorded as long-term.



**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 10: LONG-TERM OBLIGATIONS**

**A. Changes in Governmental Activities' Long-Term Obligations**

During the fiscal year 2016, the following changes occurred in the City's governmental activities' long-term obligations:

	Interest Rate	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Amounts Due in One Year
<b>Governmental Activities:</b>						
<u>Bond Anticipation Notes</u>						
Various Purpose Improvement						
Anticipation Notes, 2016,	1.375%	\$ -	\$ 1,220,000	\$ -	\$ 1,220,000	\$ 1,220,000
Total Bond Anticipation Notes		-	1,220,000	-	1,220,000	1,220,000
<u>OPWC Loans:</u>						
1996 - 20 years						
OPWC 94 (Harbor Creek)	0%	4,305	-	(4,305)	-	-
2000 - 20 years						
OPWC 99 (Reynolds Rd.)	0%	33,750	-	(7,500)	26,250	7,500
2004 - 20 years						
OPWC 04 (Holly Dr.)	0%	59,268	-	(6,585)	52,683	6,585
2005 - 20 years						
OPWC 05 (Weber Area)	0%	22,542	-	(2,254)	20,288	2,254
2007 - 20 years						
OPWC 07 (SR 283)	0%	93,750	-	(7,500)	86,250	7,500
Total OPWC Loans		213,615	-	(28,144)	185,471	23,839
<u>Other Long-Term Obligations:</u>						
SIB Loan # 070B10	3%	882,242	-	(59,130)	823,112	60,920
Compensated absences		317,514	134,473	(148,946)	303,041	118,855
Capital lease obligation	7.9%	2,441	-	(2,441)	-	-
Net Pension Liability:						
OPERS		1,072,354	433,037	-	1,505,391	-
OPF-Police		1,249,558	241,943	-	1,491,501	-
OPF-Fire		466,305	326,932	-	793,237	-
Total Net Pension Liability		2,788,217	1,001,912	-	3,790,129	-
Total Other Long-Term Obligations		3,990,414	1,136,385	(210,517)	4,916,282	179,775
<b>Total Governmental Activities</b>						
<b>Long-Term Obligations</b>		<b>\$ 4,204,029</b>	<b>\$ 2,356,385</b>	<b>\$ (238,661)</b>	<b>\$ 6,321,753</b>	<b>\$ 1,423,614</b>

*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.

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**LAKE COUNTY, OHIO**  
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NOTE 10: **LONG-TERM OBLIGATIONS** (Continued)

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

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

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

*Capital Lease:* The City's General Fund will be used to repay the required debt service on the lease. Further information for the City's capital lease is described in Note 19.

*Bond Anticipation Note:* During 2016, the City issued a \$1,220,000 bond anticipation notes. The 2016 bond anticipation note issuance is broken down as follows: \$480,000 was issued for the State Route 283 project; \$35,000 was issued for the Holly Drive project; \$40,000, \$140,000, and \$80,000 were issued for the purchase of miscellaneous equipment, a dump truck, and 911 system, respectively, in the General Fund; \$400,000 was issued for the Lake Street Storm Sewer project; and \$45,000 was issued for the purchase of radio equipment. The proceeds of the bond anticipation notes were recorded in the Andrews Road Construction Fund (a nonmajor governmental fund), the OPWC Holly Drive Fund (a nonmajor governmental fund), the General Fund (a major fund), the Stormwater Grants Fund (a major fund), and the Radio Equipment Fund (a nonmajor governmental fund), respectively. As of December 31, 2016, the City had \$398,880 of unspent proceeds. The notes have a 1.375 percent interest rate and are scheduled to mature on June 15, 2017.

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
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(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, 2016, are as follows:

<u>Year</u>	<u>OPWC Loans</u>	<u>SIB Loan # 070B10</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 23,839	\$ 60,920	\$ 24,240
2018	23,840	62,762	22,398
2019	23,840	64,659	20,501
2020	20,090	66,613	18,547
2021	16,340	68,626	16,534
2022-2026	66,271	375,528	50,273
2027-2028	11,251	124,004	3,739
Total	<u>\$ 185,471</u>	<u>\$ 823,112</u>	<u>\$ 156,232</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, 2016, the City's total debt margin was \$11,296,324 and the unvoted debt margin was \$4,870,694.

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**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 11: **PENSION PLAN**

**A. Net Pension Liability**

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

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

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

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

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

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

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

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

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

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

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

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

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

**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
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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

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NOTE 11: **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
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$135,012 for 2016. Of this amount, \$18,774 is reported as pension obligation payable.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$173,276 for 2016. Of this amount, \$19,622 is reported as pension obligation payable.

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

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

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.008891%	0.0241208%	0.0090013%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.008691%</u>	<u>0.0231850%</u>	<u>0.012331%</u>	
Change in Proportionate Share	<u>-0.000200%</u>	<u>-0.000936%</u>	<u>0.00333%</u>	
Proportionate Share of the Net Pension Liability	\$ 1,505,391	\$ 1,491,501	\$ 793,237	\$ 3,790,129
Pension Expense	\$ 203,735	\$ 194,492	\$ 136,780	\$ 535,007

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

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

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

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F Police</u>	<u>OP&amp;F Fire</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>				
Net difference between projected and actual earnings on pension plan investments	\$442,490	\$242,760	\$129,108	\$814,358
Changes in proportion and differences between City contributions and proportionate share of contributions	0	0	141,941	141,941
City contributions subsequent to the measurement date	<u>135,012</u>	<u>108,843</u>	<u>64,433</u>	<u>308,288</u>
Total Deferred Outflows of Resources	<u>\$577,502</u>	<u>\$351,603</u>	<u>\$335,482</u>	<u>\$1,264,587</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$29,087	\$4,188	\$2,228	\$35,503
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>15,915</u>	<u>39,900</u>	<u>0</u>	<u>55,815</u>
Total Deferred Inflows of Resources	<u>\$45,002</u>	<u>\$44,088</u>	<u>\$2,228</u>	<u>\$91,318</u>

\$308,288 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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LAKE COUNTY, OHIO  
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NOTE 11: **PENSION PLAN** (Continued)

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

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F Police</u>	<u>OP&amp;F Fire</u>	<u>Total</u>
2017	\$89,435	\$55,430	\$60,918	\$205,783
2018	96,511	55,430	60,918	\$212,859
2019	111,407	55,432	60,916	\$227,755
2020	100,135	42,488	54,036	\$196,659
2021	0	(8,495)	26,920	18,425
Thereafter	<u>0</u>	<u>(1,613)</u>	<u>5,113</u>	<u>3,500</u>
Total	<u>\$397,488</u>	<u>\$198,672</u>	<u>\$268,821</u>	<u>\$864,981</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, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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LAKE COUNTY, OHIO  
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(CONTINUED)**

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

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

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust 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 and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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(CONTINUED)**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.28 %</b>

***Discount Rate*** The discount rate used to measure the total pension liability was 8 percent. 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 statutorily required rates. 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 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability	\$2,398,455	1,505,391	\$752,119

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

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

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

*Changes Between Measurement Date and Report Date* In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

F. **Actuarial Assumptions – OP&F**

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. 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, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

\* levered 2x



**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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

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

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$3,013,305	2,284,738	\$1,667,628

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 12: **POST-EMPLOYMENT BENEFIT PLANS**

A. **Ohio Public Employees Retirement System**

*Plan Description* - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan is a defined contribution plan; and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting [www.opers.org/investments/cafr.shtml](http://www.opers.org/investments/cafr.shtml), by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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NOTE 12: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

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

*Funding Policy* - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.00 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.00 percent during calendar year 2016.

As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.00 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0 percent. The City's actual employer contributions for December 31, 2016, 2015 and 2014 which were used to fund post-employment benefits were \$22,966, \$22,107, and \$22,044, respectively; 100 percent has been contributed for 2016, 2015 and 2014.

**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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NOTE 12: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, OH 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

*Funding Policy* - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 12: **POST-EMPLOYMENT BENEFIT PLANS** (Continued)

**B. Ohio Police and Fire Pension Fund** (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.50 percent of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of the Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$2,864 and \$1,371 for the year ended December 31, 2016, \$2,919 and \$1,235 for the year ended December 31, 2015, and \$2,969 and \$1,055 for the year ended December 31, 2014, respectively; 88.95 percent has been contributed for 2016 and 100 percent for 2015 and 2014.

**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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NOTE 13: **OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plan**

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

**B. Compensated Absences**

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

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

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

**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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NOTE 14: **CONTINGENCIES**

A. **Grants**

The City receives financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2016.

B. **Litigation**

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

NOTE 15: **RISK MANAGEMENT**

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

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

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**NOTE 16: BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. 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);
3. Encumbrances are treated as expenditures (budget) rather than as a part of restricted, committed, and assigned fund balances (GAAP); and

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	\$ (197,908)	\$(10,074)	\$ (14,309)	\$(18,659)
Net adjustment of revenue accruals	26,684	-	-	-
Net adjustment of expenditure accruals	58,031	(30,647)	12,140	(1,080)
Net adjustment of other sources/uses	303,890	-	-	-
Adjustment for encumbrances	855	-	1,827	11,596
GAAP basis	<u>\$ 191,552</u>	<u>\$(40,721)</u>	<u>\$ (342)</u>	<u>\$ (8,143)</u>



**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**NOTE 17: FUND BALANCES**

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

Fund Balances	General	Safety Forces Levy	Police Levy	Fire Levy	Stormwater Grants	Other Governmental Funds	Total
<i>Nonspendable</i>							
Prepaid Items	\$ 12,175	\$ -	\$ 2,229	\$ 850	\$ -	\$ -	\$ 15,254
Materials and Supplies Inventory	-	-	4,328	615	-	7,449	12,392
<i>Total Nonspendable</i>	<u>12,175</u>	<u>-</u>	<u>6,557</u>	<u>1,465</u>	<u>-</u>	<u>7,449</u>	<u>27,646</u>
<i>Restricted for</i>							
Police Pension	-	-	-	-	-	2,088	2,088
Safety Services	-	-	52,148	42,366	-	11,342	105,856
Other Law Enforcement	-	-	-	-	-	7,252	7,252
EMS Grant	-	-	-	-	-	747	747
FEMA Grants	-	-	-	-	-	1	1
ODNR Grant	-	-	-	-	-	422	422
Streets and Highways	-	-	-	-	-	74,335	74,335
Stormwater Grants	-	-	-	-	395,896	-	395,896
Fire Grants	-	-	-	-	-	1,000	1,000
Debt Service	-	-	-	-	-	31,083	31,083
OPWC Capital Projects	-	-	-	-	-	11,101	11,101
<i>Total Restricted</i>	<u>-</u>	<u>-</u>	<u>52,148</u>	<u>42,366</u>	<u>395,896</u>	<u>139,371</u>	<u>629,781</u>
<i>Committed to</i>							
McMinn Memorial Park	-	-	-	-	-	413	413
Labor Day Parade	-	-	-	-	-	909	909
Toys for Kids Program	-	-	-	-	-	40,001	40,001
Municipal Complex Renovations	-	-	-	-	-	1	1
Grade Stake Fees	21,829	-	-	-	-	-	21,829
Radio Equipment	-	-	-	-	-	252	252
<i>Total Committed</i>	<u>21,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,576</u>	<u>63,405</u>
<i>Assigned to</i>							
Planned 2017 Appropriations	1,760	-	-	-	-	-	1,760
Purchases on Order	805	-	-	-	-	-	805
<i>Total Assigned</i>	<u>2,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,565</u>
<i>Unassigned (Deficit)</i>	239,954	(8,447)	-	-	-	(21,810)	209,697
<b>Total Fund Balances</b>	<u>\$ 276,523</u>	<u>\$ (8,447)</u>	<u>\$ 58,705</u>	<u>\$ 43,831</u>	<u>\$ 395,896</u>	<u>\$ 166,586</u>	<u>\$ 933,094</u>

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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**NOTE 18: OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of December 31, 2016, the City's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
Major Funds:	
General	\$ 855
Police Levy	1,827
Fire Levy	11,596
Stormwater Grants	55,256
Nonmajor Funds:	
Special Revenue Funds	4,253
Total	\$ 73,787

**NOTE 19: CAPITAL LEASE**

In prior years, the City had entered into a lease agreement in the amount of \$12,500 for the acquisition of a City Telephone System. As of December 31, 2016, the net book value of this asset is \$6,093. Capital lease payments are reflected as program expenditures on the General Fund budgetary statement and part of the General Fund's debt service on the Statement of Revenues, Expenditures and Changes in Fund Balances. As of December 31, 2016 the capital lease was paid in full.

**CITY OF MENTOR-ON-THE-LAKE**  
**LAKE COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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**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 173 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the ten-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**NOTE 21: SUBSEQUENT EVENT**

On June 14, 2017, the City issued \$1,470,000 in bond anticipation notes maturing on June 14, 2018 for capital projects and equipment purchases. These proceeds were used to retire \$1,220,000 in bond anticipation notes maturing on June 15, 2017.

**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 THREE YEARS (1)**

<b>Traditional Plan</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
City's Proportion of the Net Pension Liability	0.008691%	0.008891%	0.008891%
City's Proportionate Share of the Net Pension Liability	\$1,505,391	\$1,072,354	\$1,048,133
City's Covered-Employee Payroll	\$1,081,725	\$1,093,650	\$1,167,546
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	139.17%	98.05%	89.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

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

<b>Police</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
City's Proportion of the Net Pension Liability	0.023185%	0.0241208%	0.0241208%
City's Proportionate Share of the Net Pension Liability	\$1,491,501	\$1,249,558	\$1,174,759
City's Covered-Employee Payroll	\$544,053	\$499,816	\$523,204
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	274.15%	250.00%	224.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%
<b>Fire</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
City's Proportion of the Net Pension Liability	0.012331%	0.0090013%	0.0090013%
City's Proportionate Share of the Net Pension Liability	\$793,237	\$466,305	\$438,392
City's Covered-Employee Payroll	\$223,694	\$184,698	\$188,843
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	354.61%	252.47%	232.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

(1) Information prior to 2013 is not available.

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

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

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

(1) – Information prior to 2013 is not available.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Contractually Required Contributions</u>										
Police	\$108,843	\$103,370	\$94,965	\$82,300	\$65,564	\$73,458	\$82,362	\$86,544	[1]	[1]
Fire	\$64,433	\$52,568	\$43,404	\$38,203	\$32,272	\$34,333	\$41,669	\$41,025	[1]	[1]
Total Required Contributions	\$173,276	\$155,938	\$138,369	\$120,503	\$97,836	\$107,791	\$124,031	\$127,569	\$126,390	\$124,025
Contributions in Relation to the Contractually Required Contribution	(\$173,276)	(\$155,938)	(\$138,369)	(\$120,503)	(\$97,836)	(\$107,791)	(\$124,031)	(\$127,569)	(\$126,390)	(\$124,025)
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>City's Covered-Employee Payroll</u>										
Police	\$572,858	\$544,053	\$499,816	\$523,204	\$514,227	\$576,141	\$645,976	\$678,776	[1]	[1]
Fire	\$274,183	\$223,694	\$184,698	\$188,843	\$187,084	\$199,032	\$241,559	\$237,826	[1]	[1]
<u>Pension Contributions as a Percentage of Covered-Employee Payroll</u>										
Police	19.00%	19.00%	19.00%	[2]	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	[2]	17.25%	17.25%	17.25%	17.25%	17.25%	17.25%

[1] – Information prior to 2009 is not available for the breakout of OPF contributions by police and fire.

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

**CITY OF MENTOR-ON-THE-LAKE  
LAKE COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED DECEMBER 31, 2016**

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014, 2015 and 2016.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014, 2015 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**OHIO POLICE AND FIRE (OPF) PENSION FUND**

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014, 2015 and 2016.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014, 2015 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.





# Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor-on-the-Lake, Lake County, Ohio, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 28, 2017.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 28, 2017



# Dave Yost • Auditor of State

CITY OF MENTOR- ON THE- LAKE

LAKE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 22, 2017