



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, 2015, 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, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the General, Safety Forces Levy, Police Levy and Fire Levy Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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 May 27, 2016 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.

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

May 27, 2016

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**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The management's discussion and analysis of the City of Mentor-on-the-Lake's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. 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 2015 are as follows:

- The total net position of the City decreased \$76,727.
- General revenues accounted for \$3,448,256 or 83.24 percent of total governmental activities revenue. Program specific revenues accounted for \$694,085 or 16.76 percent of total governmental activities revenue of \$4,142,341.
- The City had \$4,219,068 in expenses related to governmental activities; \$694,085 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 Andrews Road Construction Fund.
- The General Fund had total revenues (including other financing sources) of \$1,887,002 in 2015. This represents a decrease of \$96,861 from 2014 revenues. The expenditures (including other financing uses) of the General Fund, which totaled \$2,033,135 in 2015, decreased \$42,486 from the same amount in 2014. The net decrease in fund balance for the General Fund was \$146,133 or 63.23 percent.
- The Safety Forces Levy Fund had revenues of \$579,146 in 2015, which is an increase of \$926 from 2014 revenues. The expenditures in the Safety Forces Levy Fund totaled \$551,424 in 2015, which decreased \$12,148 from 2014. The net increase in fund balance was \$27,722, resulting in an ending fund balance of \$32,274.
- The Police Levy Fund had revenues of \$409,220, which is a decrease of \$2,122 from 2014 revenues. The expenditures totaled \$416,669 in 2015, which increased \$21,428 from 2014 expenditures. The net decrease in fund balance was \$7,449, resulting in an ending fund balance of \$59,047.

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- The Fire Levy Fund had revenues of \$324,078 in 2015, which is a decrease of \$9,033 from 2014 revenues. The expenditures totaled \$282,202 in 2015, which decreased \$39,964 from 2014 expenditures. The net increase in fund balance was \$41,876, resulting in an ending fund balance of \$51,974.
- The Andrews Road Construction Fund had revenues and other financing sources of \$47,840, which is an increase of \$3,915 from 2014 revenues. The expenditures totaled \$7,235 in 2015, which is a decrease of \$83,035 from 2014 expenditures. The net increase in fund balance was \$40,605, resulting in an ending deficit fund balance of \$523,519.

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 2015?" 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 24-25 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 15.

Governmental Funds

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

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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 Andrews Road Construction 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 26-35 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 36 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 37-84 of this report.

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Government-wide Financial Analysis

The table below provides a summary of the City's net position for 2015 and 2014.

	Net Position	
	2015	2014*
ASSETS		
Current and other assets	\$ 3,548,941	\$ 3,326,591
Capital assets, net	9,952,996	10,151,945
Total Assets	<u>13,501,937</u>	<u>13,478,536</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	416,915	269,607
Total Deferred Outflows of Resources	<u>416,915</u>	<u>269,607</u>
LIABILITIES		
Current liabilities	1,226,857	1,030,652
Long-term liabilities		
Due within one year	224,191	243,815
Due in more than one year:		
Net Pension Liability	2,788,217	2,661,284
Other Amounts	1,191,621	1,303,017
Total Liabilities	<u>5,430,886</u>	<u>5,238,768</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes	1,856,647	1,820,168
Pension	18,839	-
Total Deferred Inflows of Resources	<u>1,875,486</u>	<u>1,820,168</u>
NET POSITION		
Net investment in capital assets	7,944,698	8,281,077
Restricted	531,535	477,800
Unrestricted	(1,863,753)	(2,069,670)
Total Net Position	<u>\$ 6,612,480</u>	<u>\$ 6,689,207</u>

* Restated

During 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.

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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. This implementation also had the effect of restating net position at December 31, 2014 from \$9,080,884 to \$6,689,207.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,612,480. At year-end, unrestricted net position had a deficit of \$1,863,753. A portion of the City's net position, \$531,535, 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 73.72 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, 2015, was \$7,944,698 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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The table below shows the changes in net position for fiscal year 2015 and 2014.

	Changes in Net Position	
	<u>2015</u>	<u>2014</u>
REVENUES		
Program Revenues:		
Charges for services	\$ 352,112	\$ 495,516
Operating grants and contributions	341,973	417,973
Capital grants and contributions	-	12,890
Total Program Revenues	<u>694,085</u>	<u>926,379</u>
General Revenues:		
Property taxes	1,982,792	1,440,882
Municipal Income taxes	903,066	848,948
Unrestricted grants and entitlements	515,192	533,598
Investment income	543	1,263
Gain on sale of capital assets	-	-
All other revenues	46,663	33,966
Total General Revenues	<u>3,448,256</u>	<u>2,858,657</u>
Total Revenues	<u>4,142,341</u>	<u>3,785,036</u>
EXPENSES		
Program Expenses:		
General government	762,798	713,171
Security of persons and property	2,371,054	2,252,511
Public health services	53,797	53,076
Transportation	952,219	885,422
Leisure time activities	28,109	30,172
Refuse services	-	153,256
Other	12,606	25
Interest and fiscal charges	38,485	41,107
Total Expenses	<u>4,219,068</u>	<u>4,128,740</u>
Change in Net Position	(76,727)	(343,704)
Net Position - Beginning of Year, Restated	6,689,207	N/A
Net Position - End of Year	<u>\$ 6,612,480</u>	<u>\$ 6,689,207</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$269,607 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$284,209. Consequently, in order to compare 2015 program expenses to 2014, the following adjustments are needed:

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Total 2015 program expenses under GASB 68	4,219,068
Pension expense under GASB 68	(284,209)
2015 contractually required contribution	285,745
Adjusted 2015 program expenses	4,220,604
Total 2014 program expenses under GASB 27	4,128,740
Increase in program expenses not related to pension	91,864

Governmental activities' net position decreased \$76,727 in 2015. This decrease is primarily due to the City's expenses outpacing revenues in 2015.

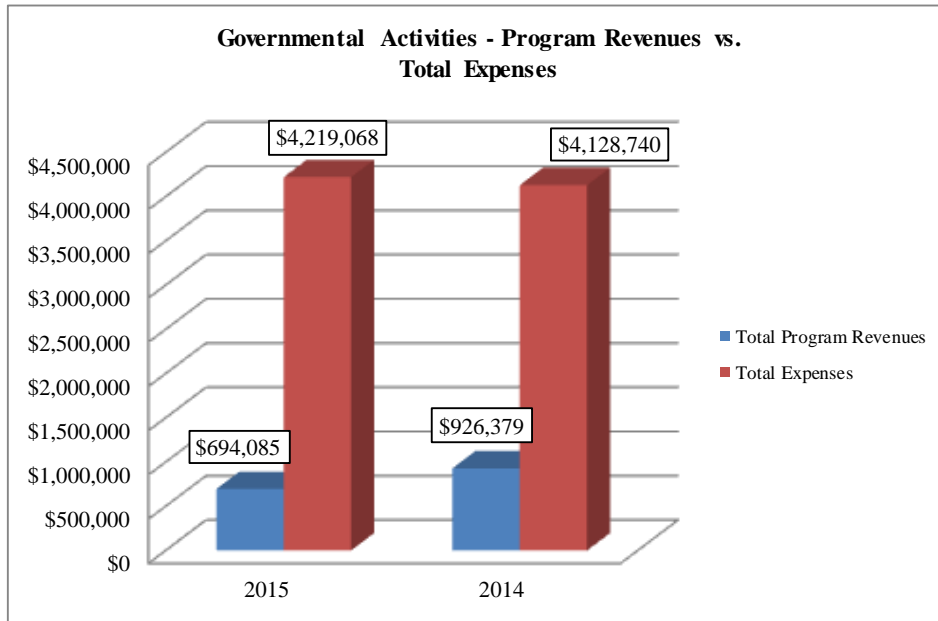
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,371,054, which accounted for 56.20 percent of the total expenses of the City. These expenses were partially funded by \$212,198 in direct charges to users of the services and operating grants and contributions. Transportation expenses totaled \$952,219, which accounted for 22.57 percent of the total expenses of the City. For 2015, depreciation expense of \$417,229 was 43.82 percent of the total Transportation expenses. General government expenses totaled \$762,798, which was partially funded by \$160,885 in direct charges to users of the services, grants and contributions. Refuse had no expenses for 2015 as a result of the City ceasing refuse services in 2014.

The state and federal government, along with similar agencies, contributed to the City a total of \$341,973 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the operating grants and contributions received, \$316,942 subsidized transportation programs.

General revenues totaled \$3,448,256 and amounted to 83.24 percent of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,885,858. 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 \$515,192.

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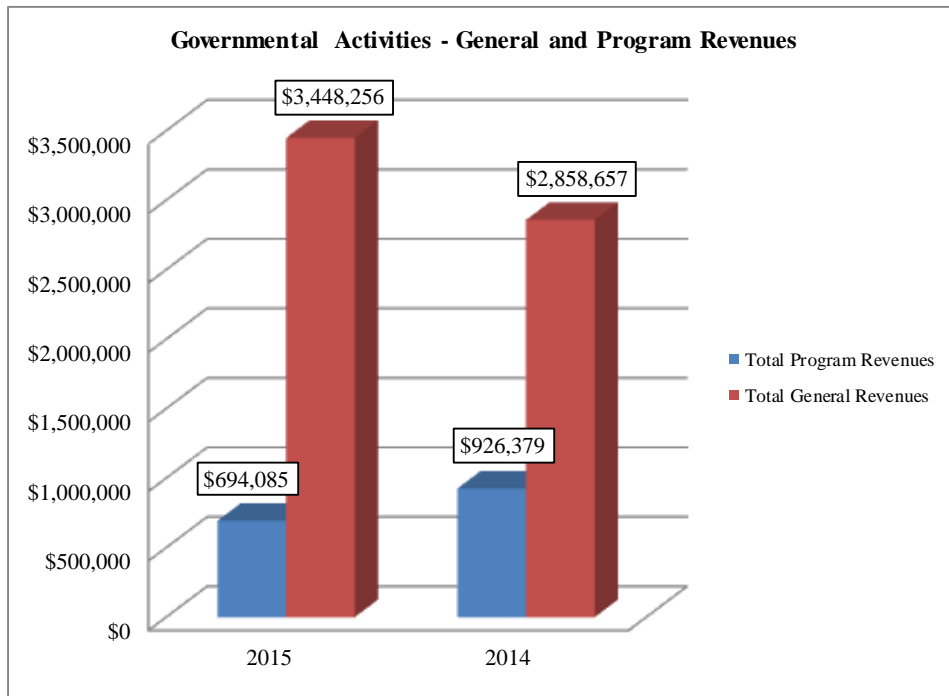
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported 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.



	Governmental Activities			
	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
General government	\$ 762,798	\$ 601,913	\$ 713,171	\$ 532,823
Security of persons and property	2,371,054	2,158,856	2,252,511	2,006,892
Public health services	53,797	53,797	53,076	53,076
Transportation	952,219	635,277	885,422	521,660
Leisure time activities	28,109	24,049	30,172	25,352
Refuse services	-	-	153,256	21,426
Other	12,606	12,606	25	25
Interest and fiscal charges	38,485	38,485	41,107	41,107
Total cost of service	\$ 4,219,068	\$ 3,524,983	\$4,128,740	\$ 3,202,361

The City's dependence upon general revenues for governmental activities is apparent, with 81.73 percent of expenses supported through taxes and other general revenues.

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Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on pages 26-27) reported a combined deficit fund balance of \$181,419, which is \$37,363 higher than last year's combined deficit fund balance of \$144,056. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015, for all major and nonmajor governmental funds.

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	Fund Balances/ (Deficits) 12/31/2015	Fund Balances/ (Deficits) 12/31/2014	Increase (Decrease)
Major funds:			
General	\$ 84,971	\$ 231,104	\$ (146,133)
Safety forces levy	32,274	4,552	27,722
Police levy	59,047	66,496	(7,449)
Fire levy	51,974	10,098	41,876
Andrews road construction	(523,519)	(564,124)	40,605
Other nonmajor governmental funds	113,834	107,818	6,016
Total	<u>\$ (181,419)</u>	<u>\$ (144,056)</u>	<u>\$ (37,363)</u>

General Fund

The City's General Fund balance decreased \$146,133, primarily due to decreases 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.

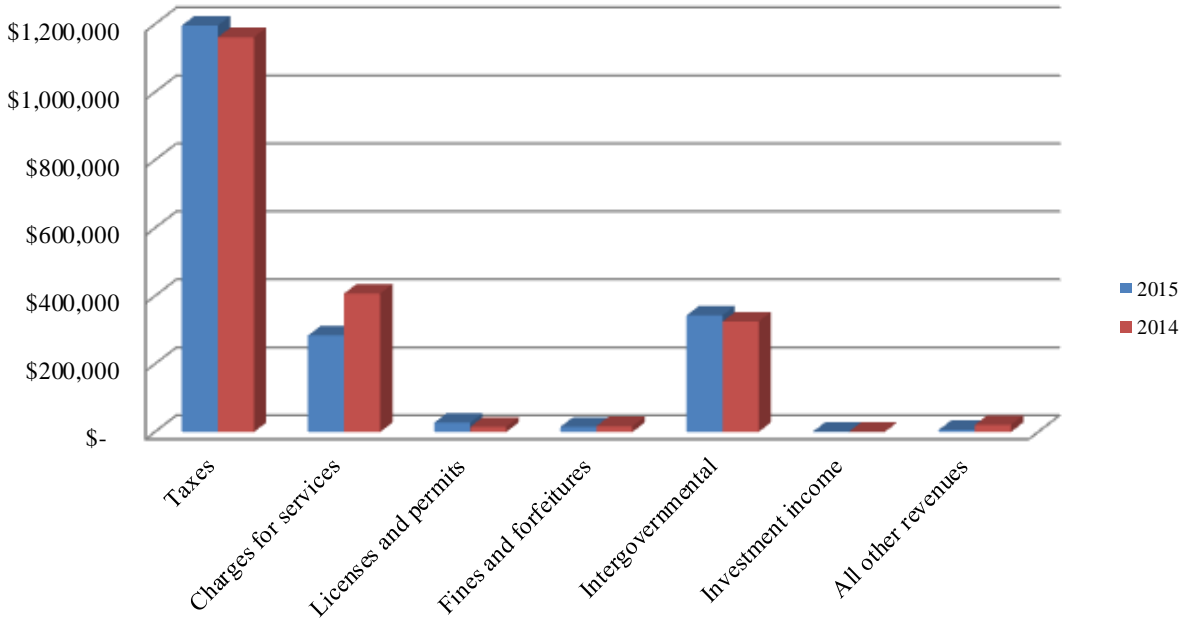
	2015 Amount	2014 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 1,196,136	\$ 1,161,542	2.98%
Charges for services	283,706	407,310	-30.35%
Licenses and permits	26,977	15,409	75.07%
Fines and forfeitures	14,974	16,861	-11.19%
Intergovernmental	342,661	324,971	5.44%
Investment income	433	202	114.36%
All other revenues	6,065	20,918	-71.01%
Total	<u>\$ 1,870,952</u>	<u>\$ 1,947,213</u>	-3.92%

Tax revenue represents 63.93 percent of all General Fund revenue. Income and property tax revenues combined experienced a slight increase during 2015. Revenues from charges for services experienced the greatest decrease when compared to 2014 as a result of the City ceasing refuse services in 2014.

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The following graphs show the breakdown of General Fund revenues for 2015 and 2014:

2015 vs. 2014 Revenue Comparison



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

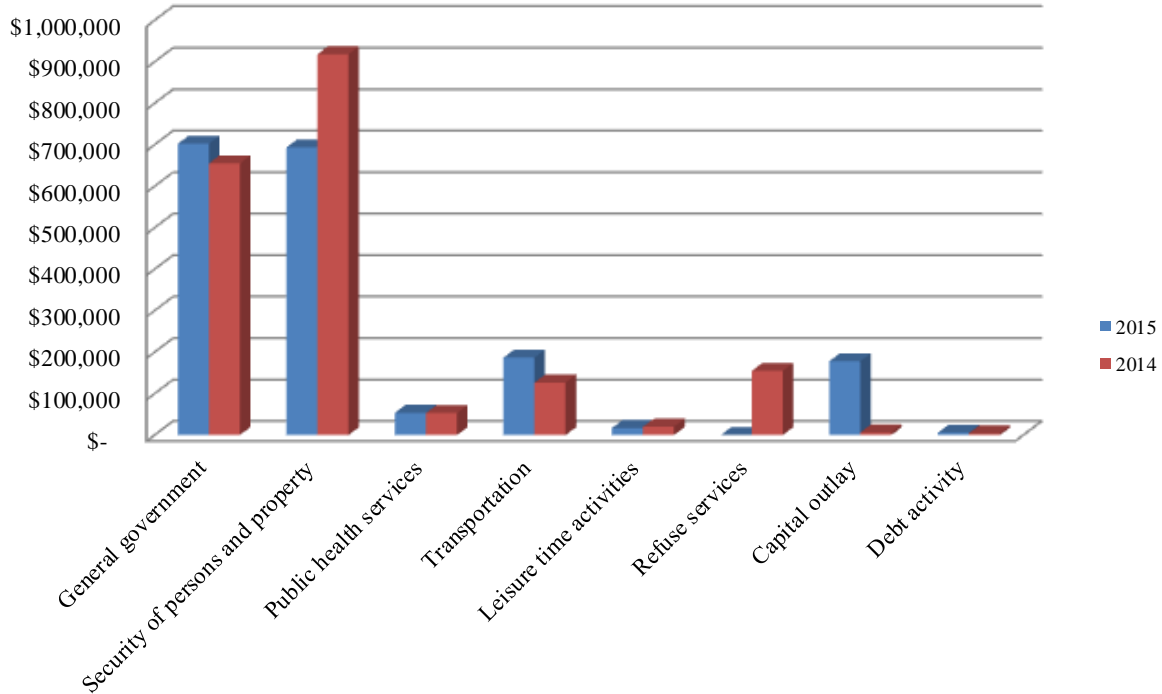
<u>Expenditures</u>	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
General government	\$ 702,320	\$ 654,926	7.24%
Security of persons and property	693,439	918,103	-24.47%
Public health services	53,797	53,076	1.36%
Transportation	186,850	126,611	47.58%
Leisure time activities	17,266	20,362	-15.20%
Refuse services	-	154,579	-100.00%
Capital outlay	177,897	6,292	2727.35%
Debt activity	5,566	4,372	27.31%
Total	<u>\$ 1,837,135</u>	<u>\$ 1,938,321</u>	-5.22%

The most significant increases were in the areas of transportation and capital outlay due to an increase in capital purchases. Security of persons and property along with refuse services experienced the most significant decreases in expenditures when compared to 2014. The decrease in refuse services expenditures was a result of the City discontinuing refuse services in 2014.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
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FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

The following graphs show the breakdown of General Fund expenditures for 2015 and 2014:

2015 vs. 2014 Expenditures Comparison



Safety Forces Levy Fund

The fund balance of the City's Safety Forces Levy Fund increased \$27,722, primarily due to a slight increase in revenues and decrease in expenditures. Revenues increased from \$578,220 in 2014 to \$579,146 in 2015. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by a 4.5 mil tax levy. Expenditures decreased from \$563,572 in 2014 to \$551,424 in 2015.

Police Levy Fund

The fund balance of the City's Police Levy Fund decreased \$7,449. Revenues decreased from \$411,342 in 2014 to \$409,220 in 2015. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by two tax levies totaling 9.20 mils. Expenditures increased from \$395,241 in 2014 to \$416,669 in 2015.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Fire Levy Fund

The fund balance of the City's Fire Levy Fund increased \$41,876, primarily due to a decrease in expenditures. Revenues decreased from \$333,111 in 2014 to \$324,078 in 2015. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by two tax levies totaling 7.30 mils. Expenditures decreased from \$322,166 in 2014 to \$282,202 in 2015.

Andrews Road Construction Fund

The fund balance of the City's Andrews Road Construction Fund increased \$40,605 in fund balance from a deficit fund balance of \$564,124 in 2014 to a deficit fund balance of \$523,519 in 2015. The negative fund balance is a result of the short-term notes payable being recorded as a fund liability.

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 revenues 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 revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General Fund, the Safety Forces Levy Fund, the Police Levy Fund, and Fire Levy Fund. In the General Fund, actual revenues and other financing sources of \$2,106,604 were slightly more than final budgeted revenues and other financing sources by \$62,345. Actual expenditures and other financing uses of \$2,134,271 were \$114,299 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, 2015
(UNAUDITED)**

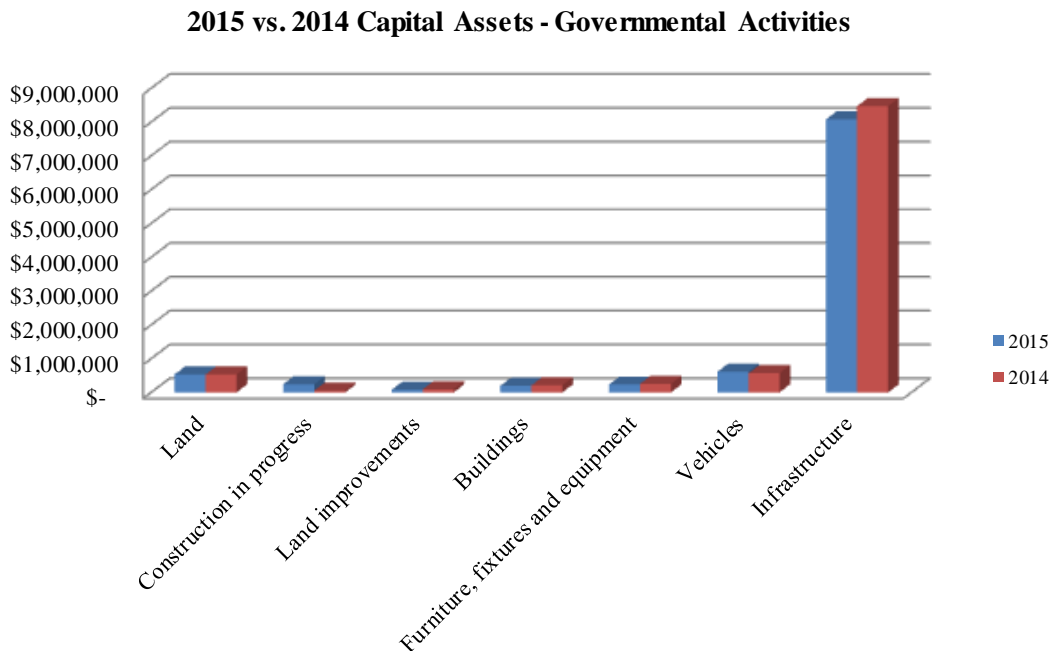
Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the City had \$9,952,996 (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 2015 balances compared to 2014:

	Capital Assets at December 31, (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 528,914	\$ 528,914
Construction in progress	236,427	51,442
Land improvements	78,595	91,038
Buildings	193,370	206,118
Furniture, fixtures and equipment	228,857	246,659
Vehicles	612,551	564,171
Infrastructure	8,074,282	8,463,603
Total Capital Assets	<u>\$ 9,952,996</u>	<u>\$10,151,945</u>

The following graphs show the breakdown of governmental capital assets by category for 2015 and 2014:



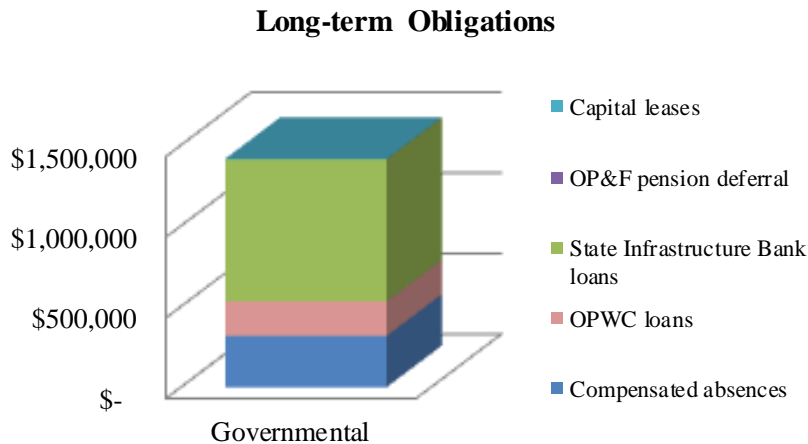
**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(UNAUDITED)**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2015 and 2014. See Note 10 for details regarding the City's long-term liabilities.

	2015	2014
Compensated absences	\$ 317,514	\$ 342,852
OPWC loans	213,615	246,062
State Infrastructure Bank loans	882,242	939,640
OP&F pension deferral	-	13,112
Capital leases	2,441	5,166
Total outstanding debt	\$ 1,415,812	\$ 1,546,832

A comparison of the long-term obligations of 2015 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, 2015
(UNAUDITED)**

The City's unexpended cash fund balances for the Operational Funds which include the General Fund, Police Pension Fund, Police Levy Fund, Fire Levy Fund, Safety Forces Fund, SCMR, Charter Police Levy, Charter Fire Levy Fund, Charter Road Levy Fund and the State Highway Fund for the period ending December 31, 2015 increased by \$156,327. This increase is a direct result of the three new charter levies approved by the citizens for fiscal year 2014. Also, expenditures for fiscal year 2015 were kept to a minimum knowing that fiscal year 2015 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, it does not look like a very bright future for the basic services provided to our residents. If the housing market and employment picture do not improve in the near future, residents in our community and all others will see a very different level of basic services provided to the citizens for years to come.

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 June 30, 2015 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, 2015 (with GASB 68)	\$ 6,612,480
GASB 68 Calculations:	
Add: Deferred Inflows related to Pension	18,839
Net Pension Liability	2,788,217
Less: Deferred Outflows related to Pension	(416,915)
Total Net Position at December 31, 2015 (without GASB 68)	\$ 9,002,621

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 Mr. Kip Molenaar, Finance Director, 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, 2015**

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 880,817
Materials and Supplies Inventory	14,199
Accounts Receivable	18,551
Intergovernmental Receivable	415,024
Prepaid Items	15,088
Municipal Income Taxes Receivable	233,538
Property Taxes Receivable	1,971,724
Nondepreciable Capital Assets	765,341
Depreciable Capital Assets	9,187,655
Total Assets	13,501,937
 DEFERRED OUTFLOWS OF RESOURCES	
Pension	416,915
Deferred Outflows of Resources	416,915
 LIABILITIES	
Accounts Payable	73,175
Accrued Wages and Benefits	78,571
Intergovernmental Payable	39,309
Pension Obligation Payable	24,458
Accrued Interest Payable	8,364
Unearned Revenue	92,980
Notes Payable	910,000
Long-term Liabilities:	
Due within one year	224,191
Due in more than one year:	
Net Pension Liability (See Note 11)	2,788,217
Other amounts due in more than one year	1,191,621
Total Liabilities	5,430,886
 DEFERRED INFLOWS OF RESOURCES	
Property Taxes	1,856,647
Pension	18,839
Deferred Inflows of Resources	1,875,486
 NET POSITION	
Net Investment in Capital Assets	7,944,698
Restricted for:	
Debt Services	28,231
Capital Projects	60,246
Street Construction, Maintenance and Repair	170,070
Fire and Safety Services	231,690
Other Purposes	41,298
Unrestricted	(1,863,753)
Total Net Position	\$ 6,612,480

See accompanying notes

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary Government:					
Governmental activities:					
Security of Persons and Property	\$ 2,371,054	\$ 209,698	\$ 2,500	\$ -	\$ (2,158,856)
Public Health Services	53,797	-	-	-	(53,797)
Leisure Time Activities	28,109	4,060	-	-	(24,049)
Transportation	952,219	-	316,942	-	(635,277)
General Government	762,798	138,354	22,531	-	(601,913)
Other	12,606	-	-	-	(12,606)
Interest and Fiscal Charges	38,485	-	-	-	(38,485)
Total Governmental activities	\$ 4,219,068	\$ 352,112	\$ 341,973	\$ -	(3,524,983)
General Revenues:					
Property Taxes levied for:					
					303,095
					1,679,697
Municipal Income Taxes levied for:					
					903,066
					515,192
					543
					46,663
					<u>3,448,256</u>
					(76,727)
					<u>6,689,207</u>
					<u>\$ 6,612,480</u>

See accompanying notes

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Safety Forces Levy</u>	<u>Police Levy</u>
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 412,417	\$ 38,497	\$ 70,017
Materials and Supplies Inventory	-	-	4,000
Accounts Receivable	17,291	-	-
Intergovernmental Receivable	160,943	39,745	24,683
Prepaid Items	11,974	-	2,263
Municipal Income Taxes Receivable	233,538	-	-
Property Taxes Receivable	299,287	486,386	387,075
Total Assets	<u>\$ 1,135,450</u>	<u>\$ 564,628</u>	<u>\$ 488,038</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 62,500	\$ -	\$ 315
Accrued Wages and Benefits	36,329	6,223	16,918
Intergovernmental Payable	26,804	-	-
Pension Obligation Payable	16,573	-	-
Accrued Interest Payable	2,030	-	-
Notes Payable	300,000	-	-
Unearned Revenue	1,650	-	-
<i>Total Liabilities</i>	<u>445,886</u>	<u>6,223</u>	<u>17,233</u>
Deferred Inflows of Resources:			
Property Taxes	284,016	473,359	345,295
Unavailable Revenue - Delinquent Property Taxes	15,271	13,027	41,780
Unavailable Revenue - Income Taxes	164,617	-	-
Unavailable Revenue - Other	140,689	39,745	24,683
<i>Total Deferred Inflows of Resources</i>	<u>604,593</u>	<u>526,131</u>	<u>411,758</u>
Fund Balances:			
Nonspendable	11,974	-	6,263
Restricted	-	32,274	52,784
Committed	20,899	-	-
Assigned	-	-	-
Unassigned (Deficit)	52,098	-	-
<i>Total Fund Balances</i>	<u>84,971</u>	<u>32,274</u>	<u>59,047</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,135,450</u>	<u>\$ 564,628</u>	<u>\$ 488,038</u>

See accompanying notes

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2015
(CONTINUED)**

<u>Fire Levy</u>	<u>Andrews Road Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 70,410	\$ -	\$ 289,476	\$ 880,817
638	-	9,561	14,199
-	-	1,260	18,551
19,646	-	170,007	415,024
828	-	23	15,088
-	-	-	233,538
307,772	-	491,204	1,971,724
<u>\$ 399,294</u>	<u>\$ -</u>	<u>\$ 961,531</u>	<u>\$ 3,548,941</u>
\$ 4,072	\$ -	\$ 6,288	\$ 73,175
2,415	-	16,686	78,571
8,230	-	4,275	39,309
5,185	-	2,700	24,458
-	3,519	609	6,158
-	520,000	90,000	910,000
-	-	91,330	92,980
<u>19,902</u>	<u>523,519</u>	<u>211,888</u>	<u>1,224,651</u>
274,637	-	479,340	1,856,647
33,135	-	11,864	115,077
-	-	-	164,617
19,646	-	144,605	369,368
<u>327,418</u>	<u>-</u>	<u>635,809</u>	<u>2,505,709</u>
1,466	-	9,584	29,287
50,508	-	128,056	263,622
-	-	66,215	87,114
-	-	-	-
-	(523,519)	(90,021)	(561,442)
<u>51,974</u>	<u>(523,519)</u>	<u>113,834</u>	<u>(181,419)</u>
<u>\$ 399,294</u>	<u>\$ -</u>	<u>\$ 961,531</u>	<u>\$ 3,548,941</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Total Governmental Fund Balances	\$	(181,419)
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		9,952,996
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds:

Delinquent property taxes	115,077	
Municipal Income taxes	164,617	
Intergovernmental revenues	364,526	
Charges for services	4,842	
Total		649,062

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(2,206)
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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	416,915	
Deferred Inflows - Pension	(18,839)	
Net Pension Liability	(2,788,217)	
Total		(2,390,141)

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	(213,615)	
Compensated absences	(317,514)	
SIB loan	(882,242)	
Capital lease obligation	(2,441)	
Total		(1,415,812)

Net Position of Governmental Activities	\$	6,612,480
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See accompanying notes

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Safety Forces Levy	Police Levy
REVENUES			
Property Taxes	\$ 299,389	\$ 498,981	\$ 358,003
Municipal Income Taxes	896,747	-	-
Intergovernmental	342,661	79,489	49,365
Investment Income	433	9	31
Licenses and Permits	26,977	-	-
Fines and Forfeitures	14,974	-	-
Charges for Services	283,706	-	-
All Other Revenues	6,065	667	1,821
Total Revenues	1,870,952	579,146	409,220
EXPENDITURES			
Security of Persons and Property	693,439	551,424	416,669
Public Health Services	53,797	-	-
Leisure Time Activities	17,266	-	-
Transportation	186,850	-	-
General Government	702,320	-	-
Capital Outlay	177,897	-	-
Debt Service:			
Principal Retirement	2,725	-	-
Interest and Fiscal Charges	2,841	-	-
Other	-	-	-
Total Expenditures	1,837,135	551,424	416,669
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	33,817	27,722	(7,449)
OTHER FINANCING SOURCES (USES)			
Transfers In	16,050	-	-
Transfers Out	(196,000)	-	-
Total Other Financing Sources (Uses)	(179,950)	-	-
Net Change in Fund Balances	(146,133)	27,722	(7,449)
Fund Balances - Beginning of Year	231,104	4,552	66,496
Fund Balances - End of Year	\$ 84,971	\$ 32,274	\$ 59,047

See accompanying notes

**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, 2015
(CONTINUED)**

<u>Fire Levy</u>	<u>Andrews Road Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 284,762	\$ -	\$ 502,787	\$ 1,943,922
-	-	-	896,747
39,292	-	364,981	875,788
24	-	46	543
-	-	-	26,977
-	-	1,550	16,524
-	-	24,585	308,291
-	-	38,110	46,663
<u>324,078</u>	<u>-</u>	<u>932,059</u>	<u>4,115,455</u>
282,202	-	356,635	2,300,369
-	-	-	53,797
-	-	853	18,119
-	-	491,604	678,454
-	-	56,805	759,125
-	-	21,253	199,150
-	-	89,845	92,570
-	7,235	28,552	38,628
-	-	12,606	12,606
<u>282,202</u>	<u>7,235</u>	<u>1,058,153</u>	<u>4,152,818</u>
<u>41,876</u>	<u>(7,235)</u>	<u>(126,094)</u>	<u>(37,363)</u>
-	47,840	207,400	271,290
-	-	(75,290)	(271,290)
-	47,840	132,110	-
<u>41,876</u>	<u>40,605</u>	<u>6,016</u>	<u>(37,363)</u>
10,098	(564,124)	107,818	(144,056)
<u>\$ 51,974</u>	<u>\$ (523,519)</u>	<u>\$ 113,834</u>	<u>\$ (181,419)</u>

**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
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net Change in Fund Balances--Total Governmental Funds \$ (37,363)

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

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

Capital outlay	321,255	
Depreciation	(520,204)	
Total		(198,949)

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

Delinquent property taxes	38,870	
Municipal Income taxes	6,319	
Intergovernmental revenues	(18,623)	
Charges for services	320	
Total		26,886

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. 92,570

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows 285,745

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (284,209)

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	25,338	
Accrued interest on bonds	143	
Ohio police and fire pension deferral	13,112	
Total		38,593

Change in Net Position of Governmental Activities \$ (76,727)

See accompanying notes

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 296,180	\$ 298,680	\$ 299,389	\$ 709
Municipal Income Taxes	848,944	856,109	893,825	37,716
Intergovernmental	330,233	333,020	341,545	8,525
Investment Income	297	300	433	133
Licenses and Permits	25,435	25,650	26,902	1,252
Fines and Forfeitures	19,833	20,000	13,601	(6,399)
Charges for Services	262,782	265,000	284,844	19,844
All Other Revenues	5,455	5,500	6,065	565
TOTAL REVENUES	<u>1,789,159</u>	<u>1,804,259</u>	<u>1,866,604</u>	<u>62,345</u>
EXPENDITURES				
Current:				
Security of Persons and Property	726,150	726,150	694,367	31,783
Public Health Services	54,000	54,000	53,797	203
Leisure Time Activities	20,450	20,450	17,600	2,850
Transportation	186,070	186,070	181,613	4,457
General Government	754,150	754,150	708,858	45,292
Capital Outlay	311,750	311,750	282,036	29,714
TOTAL EXPENDITURES	<u>2,052,570</u>	<u>2,052,570</u>	<u>1,938,271</u>	<u>114,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(263,411)</u>	<u>(248,311)</u>	<u>(71,667)</u>	<u>176,644</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of Notes	240,000	240,000	240,000	-
Transfers - Out	(196,000)	(196,000)	(196,000)	-
Total Other Financing Sources (Uses)	<u>44,000</u>	<u>44,000</u>	<u>44,000</u>	<u>-</u>
Net Change in Fund Balance	(219,411)	(204,311)	(27,667)	176,644
Fund Balance - Beginning of Year	289,450	289,450	289,450	-
Prior Year Encumbrances Appropriated	60	60	60	-
Fund Balance - End of Year	<u>\$ 70,099</u>	<u>\$ 85,199</u>	<u>\$ 261,843</u>	<u>\$ 176,644</u>

See accompanying notes

**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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 477,246	\$ 498,981	\$ 498,981	\$ -
Intergovernmental	76,023	79,488	79,489	1
Investment Income	50	50	9	(41)
All Other Revenues	-	-	667	667
TOTAL REVENUES	<u>553,319</u>	<u>578,519</u>	<u>579,146</u>	<u>627</u>
EXPENDITURES				
Current:				
Security of Persons and Property	583,000	583,000	571,603	11,397
TOTAL EXPENDITURES	<u>583,000</u>	<u>583,000</u>	<u>571,603</u>	<u>11,397</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,681)</u>	<u>(4,481)</u>	<u>7,543</u>	<u>12,024</u>
Net Change in Fund Balance	(29,681)	(4,481)	7,543	12,024
Fund Balance - Beginning of Year	30,954	30,954	30,954	-
Fund Balance - End of Year	<u>\$ 1,273</u>	<u>\$ 26,473</u>	<u>\$ 38,497</u>	<u>\$ 12,024</u>

See accompanying notes

**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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 349,607	\$ 358,349	\$ 358,003	\$ (346)
Intergovernmental	48,205	49,413	49,365	(48)
Investment Income	100	100	31	(69)
All Other Revenues	-	-	2,025	2,025
TOTAL REVENUES	<u>397,912</u>	<u>407,862</u>	<u>409,424</u>	<u>1,562</u>
EXPENDITURES				
Current:				
Security of Persons and Property	475,954	475,954	418,579	57,375
TOTAL EXPENDITURES	<u>475,954</u>	<u>475,954</u>	<u>418,579</u>	<u>57,375</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(78,042)</u>	<u>(68,092)</u>	<u>(9,155)</u>	<u>58,937</u>
Net Change in Fund Balance	(78,042)	(68,092)	(9,155)	58,937
Fund Balance - Beginning of Year	76,487	76,487	76,487	-
Prior Year Encumbrances Appropriated	1,954	1,954	1,954	-
Fund Balance - End of Year	<u>\$ 399</u>	<u>\$ 10,349</u>	<u>\$ 69,286</u>	<u>\$ 58,937</u>

See accompanying notes

**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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 278,058	\$ 284,762	\$ 284,762	\$ -
Intergovernmental	38,371	39,297	39,292	(5)
Investment Income	50	50	24	(26)
TOTAL REVENUES	<u>316,479</u>	<u>324,109</u>	<u>324,078</u>	<u>(31)</u>
EXPENDITURES				
Current:				
Security of Persons and Property	349,469	349,469	311,690	37,779
Capital Outlay	5,000	5,000	-	5,000
TOTAL EXPENDITURES	<u>354,469</u>	<u>354,469</u>	<u>311,690</u>	<u>42,779</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(37,990)</u>	<u>(30,360)</u>	<u>12,388</u>	<u>42,748</u>
Net Change in Fund Balance	(37,990)	(30,360)	12,388	42,748
Fund Balance - Beginning of Year	37,572	37,572	37,572	-
Prior Year Encumbrances Appropriated	1,469	1,469	1,469	-
Fund Balance - End of Year	<u>\$ 1,051</u>	<u>\$ 8,681</u>	<u>\$ 51,429</u>	<u>\$ 42,748</u>

See accompanying notes

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015**

	Agency Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 103,264
Cash and Cash Equivalents in Segregated Accounts	8,196
Total Assets	\$ 111,460
 Liabilities	
Deposits Held and Due to Others	8,196
Undistributed Monies	103,264
Total Liabilities	\$ 111,460

See accompanying notes

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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 and streets, 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, 2015
(CONTINUED)

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

B. Basis of Presentation – Fund Accounting

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

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

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

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

C. Fund Accounting

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

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

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

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

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

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

Andrews Road Construction Fund - The Andrews Road Construction Fund accounts for all activity related to the Andrews Road 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, 2015
(CONTINUED)

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

C. **Fund Accounting** (Continued)

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

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

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

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

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

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

E. Basis of Accounting

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

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

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

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

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

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the governmental-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 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, 2015, but which were levied to finance year 2016 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, income taxes, intergovernmental grants, and charges for services. 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, 2015
(CONTINUED)

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

F. Budgetary Data

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

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

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

The amounts reported on the budgetary statement reflect the amounts in the original and final amended official Certificate of Estimated Resources issued during 2015.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

F. **Budgetary Data** (Continued)

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

Cash balances of the City's funds are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

The City has a segregated bank account for monies held separate from the City's central bank accounts. This account is presented on the Statement of Fiduciary Net Position as "Cash and Cash Equivalents in Segregated Accounts" since it is not required to be deposited into the City's treasury.

During 2015, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2015.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

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

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

Interest income is distributed to the funds according to charter and statutory requirements. During 2015, interest revenue earned and credited to the General Fund amounted to \$433, which included \$205 assigned from other funds of the City.

For purpose of presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. An analysis of the City's investment account at year end is provided in Note 4.

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.

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

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.

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, 2015.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, 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.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

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.

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:

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

N. **Fund Balance** (Continued)

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.

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.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

N. **Fund Balance** (Continued)

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.

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 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 2015.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

A. Changes in Accounting Principles and Restatement of Net Position

For year 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	<u>Governmental Activities</u>
Net Position as of December 31, 2014	\$ 9,080,884
Adjustments:	
Net Pension Liability	(2,661,284)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>269,607</u>
Restated Net Position December 31, 2014	<u>\$ 6,689,207</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available

B. Deficit Fund Balances

Fund balances at December 31, 2015, included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Fund</u>	
Andrews Road Construction	\$ 523,519
 <u>Nonmajor Funds</u>	
Radio Equipment	49,750
OPWC - Holly Drive	40,271

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. The deficit fund balances in the Andrews Road Construction Fund, Radio Equipment Fund, and OPWC – Holly Drive Fund resulted primarily from bond anticipation notes being reported as fund liabilities rather than as other financing sources.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 4: **DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

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

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

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

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

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all City deposits was \$651,851. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2015, \$314,068 of the City’s bank balance of \$671,412 was exposed to custodial risk as discussed below, while \$357,344 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

As of December 31, 2015, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 Months or Less</u>
STAR Ohio	<u>\$ 339,816</u>	<u>\$ 339,816</u>

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

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

C. **Investments** (Continued)

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, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 339,816</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 footnote above to cash and cash equivalents as reported on the statement of net position as of December 31, 2015:

<u>Cash and Investments per Footnote</u>	
Cash on Hand	\$ 610
Carrying Amount of Deposits	651,851
Investments	<u>339,816</u>
Total Cash and Investments per Footnote	<u>\$ 992,277</u>
 <u>Cash and Cash Equivalents per Statements</u>	
Governmental Activities	\$ 880,817
Agency Funds	<u>111,460</u>
Total Cash and Investments per Statements	<u>\$ 992,277</u>

NOTE 5: **TAXES**

A. **Property Taxes**

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 5: **TAXES** (Continued)

A. **Property Taxes** (Continued)

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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 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 cities 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, 2015, was \$27.80 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2015 property tax receipts were based are as follows:

Real Property Tax	\$ 121,896,650
Public Utility Tangible Personal Property Tax	<u>6,174,790</u>
Total Assessed Valuation	<u>\$ 128,071,440</u>

Property taxes receivables represent real and public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2015. 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 \$896,747 on the modified accrual basis for fiscal year 2015.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2015, 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, 2015.

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

Governmental Activities

Property Taxes	\$ 1,971,724
Income Taxes	233,538
Accounts	18,551
Intergovernmental:	
Homestead & Rollback Reimbursements	120,106
Local Government	135,208
Gasoline & Excise Taxes/Auto Registration	157,312
Other	2,398

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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CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balances 12/31/2014	Additions	Disposals	Balances 12/31/2015
Governmental Activities				
Nondepreciable Assets:				
Land	\$ 528,914	\$ -	\$ -	\$ 528,914
Construction in progress	51,442	184,985	-	236,427
Total Nondepreciable Assets	<u>580,356</u>	<u>184,985</u>	<u>-</u>	<u>765,341</u>
Depreciable Assets:				
Land Improvements	234,577	-	-	234,577
Buildings	623,720	5,660	-	629,380
Furniture, fixtures and equipment	480,684	8,750	-	489,434
Vehicles	1,393,080	121,860	-	1,514,940
Infrastructure:				
Roads	8,692,840	-	-	8,692,840
Storm sewers	989,647	-	-	989,647
Total Depreciable Assets	<u>12,414,548</u>	<u>136,270</u>	<u>-</u>	<u>12,550,818</u>
Less Accumulated Depreciation				
Land Improvements	(143,539)	(12,443)	-	(155,982)
Buildings	(417,602)	(18,408)	-	(436,010)
Furniture, fixtures and equipment	(234,025)	(26,552)	-	(260,577)
Vehicles	(828,909)	(73,480)	-	(902,389)
Infrastructure:				
Roads	(1,066,222)	(368,141)	-	(1,434,363)
Storm sewers	(152,662)	(21,180)	-	(173,842)
Total Accumulated Depreciation	<u>(2,842,959)</u>	<u>(520,204)</u>	<u>-</u>	<u>(3,363,163)</u>
Total Depreciable Assets, Net	<u>9,571,589</u>	<u>(383,934)</u>	<u>-</u>	<u>9,187,655</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 10,151,945</u></u>	<u><u>\$ (198,949)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,952,996</u></u>

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

Security of Persons and Property:	\$ 67,215
Leisure Time Activities	9,311
Transportation	417,229
General Government	26,449
Total Depreciation Expense	<u><u>\$ 520,204</u></u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 8: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2015, 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>Andrews Road Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ -	\$ 16,050	\$ 16,050
Andrews Road Construction Fund	-	-	47,840	47,840
Nonmajor Governmental Funds	196,000		11,400	207,400
	<u>\$196,000</u>	<u>\$ -</u>	<u>\$ 75,290</u>	<u>\$271,290</u>

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

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

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 9: **NOTES PAYABLE**

The City had the following outstanding bond anticipation notes at December 31, 2015:

	Interest Rate	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015
Various purpose improvements Bond anticipation notes, 2014	1.40%	735,000	-	(735,000)	-
Various purpose improvements Bond anticipation notes, 2015	1.30%	-	910,000	-	910,000
Total Notes Payable		<u>\$ 735,000</u>	<u>\$ 910,000</u>	<u>\$ (735,000)</u>	<u>\$ 910,000</u>

During 2015, the City retired the \$735,000 bond anticipation notes that were due on June 18, 2015, with the proceeds from the issuance of \$910,000 in 2015 bond anticipation notes. The 2015 bond anticipation note issuance is broken down as follows: \$520,000 was issued for the State Route 283 project; \$40,000 was issued for the Holly Drive project; \$60,000, \$140,000, and \$100,000 were issued for the purchase of miscellaneous equipment, a dump truck, and 911 system, respectively, in the General Fund; and \$50,000 was issued for the purchase of radio equipment. The proceeds of the bond anticipation notes were recorded in the Andrews Road Construction Fund (a major fund), the OPWC Holly Drive Fund (a nonmajor governmental fund), the General Fund (a major fund), and the Radio Equipment Fund (a nonmajor governmental fund), respectively. On the fund financial statements, these bond anticipation notes have been reported as fund liabilities of the funds which originally received the proceeds. The notes have a 1.30 percent interest rate and are scheduled to mature on June 16, 2016.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 10: LONG-TERM OBLIGATIONS

A. Changes in Governmental Activities' Long-Term Obligations

During the fiscal year 2015, the following changes occurred in the City's governmental activities' long-term obligations:

	Interest Rate	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015	Amounts Due in One Year
Governmental Activities:						
<u>OPWC Loans:</u>						
1996 - 20 years						
OPWC 94 (Harbor Creek)	0%	\$ 12,912	\$ -	\$ (8,607)	\$ 4,305	\$ 4,305
2000 - 20 years						
OPWC 99 (Reynolds Rd.)	0%	41,250	-	(7,500)	33,750	7,500
2004 - 20 years						
OPWC 04 (Holly Dr.)	0%	65,854	-	(6,586)	59,268	6,585
2005 - 20 years						
OPWC 05 (Weber Area)	0%	24,796	-	(2,254)	22,542	2,254
2007 - 20 years						
OPWC 07 (SR 283)	0%	101,250	-	(7,500)	93,750	7,500
Total OPWC Loans		<u>246,062</u>	<u>-</u>	<u>(32,447)</u>	<u>213,615</u>	<u>28,144</u>
<u>Other Long-Term Obligations:</u>						
SIB Loan # 070B10	3%	939,640	-	(57,398)	882,242	59,133
Ohio Police and Fire Pension						
1st Quarter Deferral		13,112	-	(13,112)	-	-
Compensated absences		342,852	118,185	(143,523)	317,514	134,473
Capital lease obligation	7.9%	5,166	-	(2,725)	2,441	2,441
Net Pension Liability:						
OPERS		1,048,133	24,221	-	1,072,354	-
OPF-Police		1,174,759	74,799	-	1,249,558	-
OPF-Fire		438,392	27,913	-	466,305	-
Total Net Pension Liability		<u>2,661,284</u>	<u>126,933</u>	<u>-</u>	<u>2,788,217</u>	<u>-</u>
Total Other Long-Term Obligations		<u>3,962,054</u>	<u>245,118</u>	<u>(216,758)</u>	<u>3,990,414</u>	<u>196,047</u>
Total Governmental Activities						
Long-Term Obligations		<u>\$ 4,208,116</u>	<u>\$ 245,118</u>	<u>\$ (249,205)</u>	<u>\$ 4,204,029</u>	<u>\$ 224,191</u>

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

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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

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

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

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.

Ohio Police and Fire Pension 1st Quarter Deferral: Effective January 1, 2013, the Ohio Police and Fire Pension System (OP&FP) changed the pension contribution period from quarterly to monthly. As a result of this change, OP&FP allowed entities the option of deferring the 2013 first quarter pension contribution over the next three years to ease the financial burden. The City elected this option and has deferred payment on \$39,338 related to the 2013 first quarter pension contribution. As of 2015, the City has paid the final installment of \$13,112. The City utilized the General Fund and the Fire Levy Fund to repay these obligations.

Principal requirements to retire the long-term loans outstanding at December 31, 2015, are as follows:

Year	OPWC Loans		SIB Loan # 070B10	
	Principal		Principal	Interest
2016	\$ 28,144		\$ 59,133	\$ 26,027
2017	23,840		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
2021-2025	75,111		364,510	61,290
2026-2028	18,750		203,645	9,255
Total	<u>\$ 213,615</u>		<u>\$ 882,242</u>	<u>\$ 182,258</u>

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

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, 2015, the City's total debt margin was \$11,472,081 and the unvoted debt margin was \$5,068,509.

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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

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

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

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.

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.

**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)

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):

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

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

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

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

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

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

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

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$129,807 for 2015. Of this amount, \$11,580 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)**

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

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF 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 OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

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

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

C. Plan Description – Ohio Police & Fire Pension Fund (OPF) (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:

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$155,938 for 2015. Of this amount, \$12,878 is reported as pension obligation payable.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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, 2014, 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, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. 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	OPF Police	OPF Fire	Total
Proportionate Share of the Net Pension Liability	\$1,072,354	\$1,249,558	\$ 466,305	\$2,788,217
Proportion of the Net Pension Liability	0.008891%	0.0241208%	0.0090013%	
Pension Expense	117,080	115,909	51,220	284,209

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF Police	OPF Fire	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$57,218	\$53,855	\$20,097	\$131,170
City contributions subsequent to the measurement date	129,807	103,370	52,568	285,745
Total Deferred Outflows of Resources	<u>\$187,025</u>	<u>\$157,225</u>	<u>\$72,665</u>	<u>\$416,915</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	<u>\$18,839</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,839</u>

\$285,745 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

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

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

Year Ending December 31:	<u>OPERS</u>	<u>OPF Police</u>	<u>OPF Fire</u>	<u>Total</u>
2016	\$5,612	\$13,464	\$5,024	\$24,100
2017	5,612	13,464	5,024	\$24,100
2018	12,850	13,464	5,024	\$31,338
2019	<u>14,305</u>	<u>13,463</u>	<u>5,025</u>	<u>\$32,793</u>
Total	<u>\$38,379</u>	<u>\$53,855</u>	<u>\$20,097</u>	<u>\$112,331</u>

E. Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, 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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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 6.95 percent for 2014.

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 2014 and the long-term expected real rates of return:

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

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

E. Actuarial Assumptions – OPERS (Continued)

<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
Total	100.00 %	5.28 %

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	\$1,972,824	\$1,072,354	\$313,941

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

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

F. Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’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, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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

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

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

F. **Actuarial Assumptions – OPF** (Continued)

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 OPF’s target asset allocation as of December 31, 2014 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

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

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

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

F. **Actuarial Assumptions – OPF** (Continued)

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	\$2,373,298	\$1,715,863	\$1,159,215

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

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.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursement, 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.

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 2014 CAFR for details.

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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 2015, 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined Plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. 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 2015. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.00 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 VEBA participants in the Member-Directed Plan for 2015 was 4.50 percent. The City's actual employer contributions for December 31, 2015, 2014 and 2013 which were used to fund post-employment benefits were \$22,107, \$22,044, and \$11,675, respectively; 92.52 percent has been contributed for 2015 and 100 percent for 2014 and 2013.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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.

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, 2015
(CONTINUED)**

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, 2015 thru December 31, 2015. 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 \$2,919 and \$1,235 for the year ended December 31, 2015, \$2,969 and \$1,055 for the year ended December 31, 2014, and \$18,792 and \$6,804 for the year ended December 31, 2013, respectively; 92.46 percent has been contributed for 2015 and 100 percent for 2014 and 2013.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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, 2015
(CONTINUED)

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, 2015.

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, 2015
(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
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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	\$ (27,667)	\$ 7,543	\$ (9,155)	\$ 12,388
Net adjustment of revenue accruals	4,348	-	(204)	-
Net adjustment of expenditure accruals	(49,438)	20,179	1,179	10,507
Net adjustment of other sources/uses	(223,950)	-	-	-
Adjustment for encumbrances	150,574	-	731	18,981
GAAP basis	<u>\$ (146,133)</u>	<u>\$ 27,722</u>	<u>\$ (7,449)</u>	<u>\$ 41,876</u>

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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	Andrews Road Construction	Other Governmental Funds	Total
<i>Nonspendable</i>							
Prepaid Items	\$ 11,974	\$ -	\$ 2,263	\$ 828	\$ -	\$ 23	\$ 15,088
Materials and Supplies Inventory	-	-	4,000	638	-	9,561	14,199
<i>Total Nonspendable</i>	<u>11,974</u>	<u>-</u>	<u>6,263</u>	<u>1,466</u>	<u>-</u>	<u>9,584</u>	<u>29,287</u>
<i>Restricted for</i>							
Police Pension	-	-	-	-	-	4,214	4,214
Safety Services	-	32,274	52,784	50,508	-	14,838	150,404
Other Law Enforcement	-	-	-	-	-	9,384	9,384
EMS Grant	-	-	-	-	-	4,041	4,041
FEMA Grants	-	-	-	-	-	2,524	2,524
ODNR Grant	-	-	-	-	-	422	422
Streets and Highways	-	-	-	-	-	43,488	43,488
Debt Service	-	-	-	-	-	30,437	30,437
OPWC Capital Projects	-	-	-	-	-	18,708	18,708
<i>Total Restricted</i>	<u>-</u>	<u>32,274</u>	<u>52,784</u>	<u>50,508</u>	<u>-</u>	<u>128,056</u>	<u>263,622</u>
<i>Committed to</i>							
McMinn Memorial Park	-	-	-	-	-	413	413
Labor Day Parade	-	-	-	-	-	713	713
Toys for Kids Program	-	-	-	-	-	23,801	23,801
Municipal Complex Renovations	-	-	-	-	-	1	1
Fire Equipment	-	-	-	-	-	41,287	41,287
Grade Stake Fees	20,899	-	-	-	-	-	20,899
<i>Total Committed</i>	<u>20,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,215</u>	<u>87,114</u>
<i>Unassigned (Deficit)</i>	52,098	-	-	-	(523,519)	(90,021)	(561,442)
Total Fund Balances	<u><u>\$ 84,971</u></u>	<u><u>\$ 32,274</u></u>	<u><u>\$ 59,047</u></u>	<u><u>\$ 51,974</u></u>	<u><u>\$ (523,519)</u></u>	<u><u>\$ 113,834</u></u>	<u><u>\$ (181,419)</u></u>

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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, 2015, the City's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
Major Funds:	
General	\$ 150,574
Police Levy	859
Fire Levy	18,981
Nonmajor Funds:	
Special Revenue Funds	7,156
Capital Projects Funds	57,871
Total	\$ 235,441

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, 2015, the net book value of this asset is \$7,333. 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.

The present value of future minimum lease payments is as follows:

Year Ending December 31,		
2016		\$ 2,531
Total Minimum Lease Payments		2,531
Less: Amounts Representing Interest		(90)
Present Value of Minimum Lease Payments		\$ 2,441

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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.

**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 TWO YEARS (1)**

Traditional Plan	2014	2013
City's Proportion of the Net Pension Liability	0.008891%	0.008891%
City's Proportionate Share of the Net Pension Liability	\$1,072,354	\$1,048,133
City's Covered-Employee Payroll	\$1,093,650	\$1,167,546
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	98.05%	89.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 TWO YEARS (1)**

Police	2014	2013
City's Proportion of the Net Pension Liability	0.0241208%	0.0241208%
City's Proportionate Share of the Net Pension Liability	\$1,249,558	\$1,174,759
City's Covered-Employee Payroll	\$499,816	\$523,204
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	250.00%	224.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%
Fire	2014	2013
City's Proportion of the Net Pension Liability	0.0090013%	0.0090013%
City's Proportionate Share of the Net Pension Liability	\$466,305	\$438,392
City's Covered-Employee Payroll	\$184,698	\$188,843
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	252.47%	232.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	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 THREE YEARS (1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contractually Required Contributions</u>			
Traditional Plan	\$129,807	\$131,238	\$151,781
Total Required Contributions	\$129,807	\$131,238	\$151,781
Contributions in Relation to the Contractually Required Contribution	(\$129,807)	(\$131,238)	(\$151,781)
Contribution Deficiency / (Excess)	\$0	\$0	\$0
<u>City's Covered-Employee Payroll</u>			
Traditional Plan	\$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%	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**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Contractually Required Contributions</u>										
Police	\$103,370	\$94,965	\$82,300	\$65,564	\$73,458	\$82,362	\$86,544	[1]	[1]	[1]
Fire	\$52,568	\$43,404	\$38,203	\$32,272	\$34,333	\$41,669	\$41,025	[1]	[1]	[1]
Total Required Contributions	\$155,938	\$138,369	\$120,503	\$97,836	\$107,791	\$124,031	\$127,569	\$126,390	\$124,025	\$117,410
Contributions in Relation to the Contractually Required Contribution	(\$155,938)	(\$138,369)	(\$120,503)	(\$97,836)	(\$107,791)	(\$124,031)	(\$127,569)	(\$126,390)	(\$124,025)	(\$117,410)
Contribution Deficiency / (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>City's Covered-Employee Payroll</u>										
Police	\$544,053	\$499,816	\$523,204	\$514,227	\$576,141	\$645,976	\$678,776	[1]	[1]	[1]
Fire	\$223,694	\$184,698	\$188,843	\$187,084	\$199,032	\$241,559	\$237,826	[1]	[1]	[1]
<u>Pension Contributions as a Percentage of Covered-Employee Payroll</u>										
Police	19.00%	19.00%	[2]	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
Fire	23.50%	23.50%	[2]	17.25%	17.25%	17.25%	17.25%	17.25%	17.25%	16.25%

[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.



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, (the City) as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 27, 2016, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

May 27, 2016



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
JUNE 16, 2016**