



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, 2014, 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, 2014 and the respective changes in financial position, thereof and the respective budgetary comparisons 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.

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* as 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 June 15, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 15, 2015

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014. 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 2014 are as follows:

- The total net position of the City decreased \$343,704.
- General revenues accounted for \$2,858,657 or 75.53 percent of total governmental activities revenue. Program specific revenues accounted for \$926,379 or 24.47 percent of total governmental activities revenue of \$3,785,036.
- The City had \$4,128,740 in expenses related to governmental activities; \$926,379 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 of \$1,983,863 in 2014. This represents a decrease of \$288,287 from 2013 revenues. The expenditures of the General Fund, which totaled \$2,075,621 in 2014, decreased \$334,131 from the same amount in 2013. The net decrease in fund balance for the General Fund was \$91,758 or 28.42 percent.
- The Safety Forces Levy Fund had revenues of \$578,220 in 2014, which is an increase of \$9,596 from 2013 revenues. The expenditures in the Safety Forces Levy Fund totaled \$563,572 in 2014, which decreased \$25,370 from 2013. The net increase in fund balance was \$14,648, resulting in an ending fund balance of \$4,552.
- The Police Levy Fund had revenues of \$411,342, which is an increase of \$11,110 from 2013 revenues. The expenditures totaled \$395,241 in 2014, which decreased \$4,117 from 2013 expenditures. The net increase in fund balance was \$16,101, resulting in an ending fund balance of \$66,496.

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- The Fire Levy Fund had revenues of \$333,111 in 2014, which is an increase of \$8,211 from 2013 revenues. The expenditures totaled \$322,166 in 2014, which decreased \$20,619 from 2013 expenditures. The net increase in fund balance was \$10,945, resulting in an ending fund balance of \$10,098.
- The Andrews Road Construction Fund had revenues of \$43,925, which is a decrease of \$582,120 from 2013 revenues. The expenditures totaled \$90,270 in 2014, which is a decrease of \$621,487 from 2013 expenditures. The net decrease in fund balance was \$46,345, resulting in an ending deficit fund balance of \$564,124.

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 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, 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 19-20 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 11.

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 21-30 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 31 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 32-68 of this report.

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

The table below provides a summary of the City's net position for 2014 and 2013.

	Net Position	
	<u>2014</u>	<u>2013</u>
ASSETS		
Current and other assets	\$ 3,326,591	\$ 3,123,847
Capital assets, net	<u>10,151,945</u>	<u>10,613,564</u>
Total Assets	<u>13,478,536</u>	<u>13,737,411</u>
LIABILITIES		
Current liabilities	1,030,652	1,185,937
Long-term liabilities	<u>1,546,832</u>	<u>1,720,074</u>
Total Liabilities	<u>2,577,484</u>	<u>2,906,011</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes	<u>1,820,168</u>	<u>1,406,812</u>
Total Deferred Inflows of Resources	<u>1,820,168</u>	<u>1,406,812</u>
NET POSITION		
Net investment in capital assets	8,281,077	8,577,020
Restricted	477,800	456,346
Unrestricted	<u>322,007</u>	<u>391,222</u>
Total Net Position	<u>\$ 9,080,884</u>	<u>\$ 9,424,588</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities and deferred inflows of resources by \$9,080,884. At year-end, unrestricted net position was \$322,007.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 75.32 percent of total assets. Capital assets include land, land improvements, buildings, furniture, fixtures and equipment, vehicles, and infrastructure. The net investment in capital assets component of net position at December 31, 2014, was \$8,281,077 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.

A portion of the City's net position, \$477,800, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is \$322,007.

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The table below shows the changes in net position for fiscal year 2014 and 2013.

	Changes in Net Position	
	<u>2014</u>	<u>2013</u>
REVENUES		
Program Revenues:		
Charges for services	\$ 495,516	\$ 735,676
Operating grants and contributions	417,973	349,448
Capital grants and contributions	12,890	3,506,395
Total Program Revenues	<u>926,379</u>	<u>4,591,519</u>
General Revenues:		
Property taxes	1,440,882	1,482,535
Income taxes	848,948	904,403
Unrestricted grants and entitlements	533,598	493,127
Investment income	1,263	1,964
Gain on sale of capital assets	-	7,500
All other revenues	33,966	35,516
Total General Revenues	<u>2,858,657</u>	<u>2,925,045</u>
Total Revenues	<u>3,785,036</u>	<u>7,516,564</u>
EXPENSES		
Program Expenses:		
General government	713,171	806,843
Security of persons and property	2,252,511	2,285,293
Public health services	53,076	52,814
Transportation	885,422	892,252
Leisure time activities	30,172	60,045
Refuse services	153,256	424,722
Other	25	7,994
Interest and fiscal charges	41,107	46,134
Total Expenses	<u>4,128,740</u>	<u>4,576,097</u>
Change in Net Position	(343,704)	2,940,467
Net Position - Beginning of Year	9,424,588	6,484,121
Net Position - End of Year	<u>\$ 9,080,884</u>	<u>\$ 9,424,588</u>

Governmental Activities

Governmental activities' net position decreased \$343,704 in 2014. This decrease is primarily due to the City's expenses outpacing revenues in 2014.

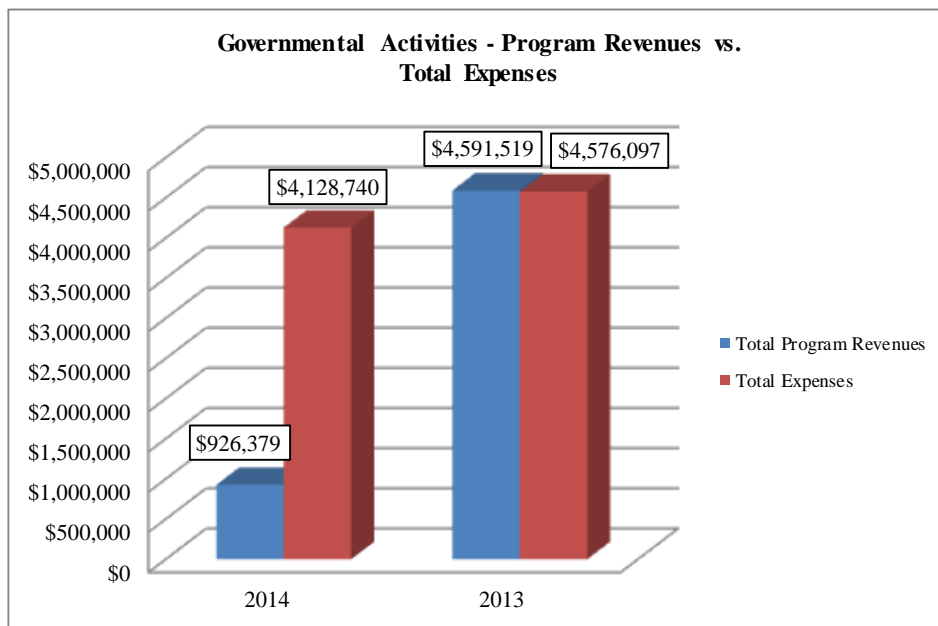
**CITY OF MENTOR-ON-THE-LAKE
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Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$2,252,511, which accounted for 54.56 percent of the total expenses of the City. These expenses were partially funded by \$245,619 in direct charges to users of the services and operating grants and contributions. Transportation expenses totaled \$885,422, which accounted for 21.45 percent of the total expenses of the City. For 2014, depreciation expense of \$416,225 was 47.01 percent of the total Transportation expenses. General government expenses totaled \$713,171, which was partially funded by \$180,348 in direct charges to users of the services, grants and contributions.

The state and federal government, along with similar agencies, contributed to the City a total of \$417,973 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the operating grants and contributions received, \$363,762 subsidized transportation programs.

General revenues totaled \$2,858,657 and amounted to 75.53 percent of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,289,830. 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 \$533,598.

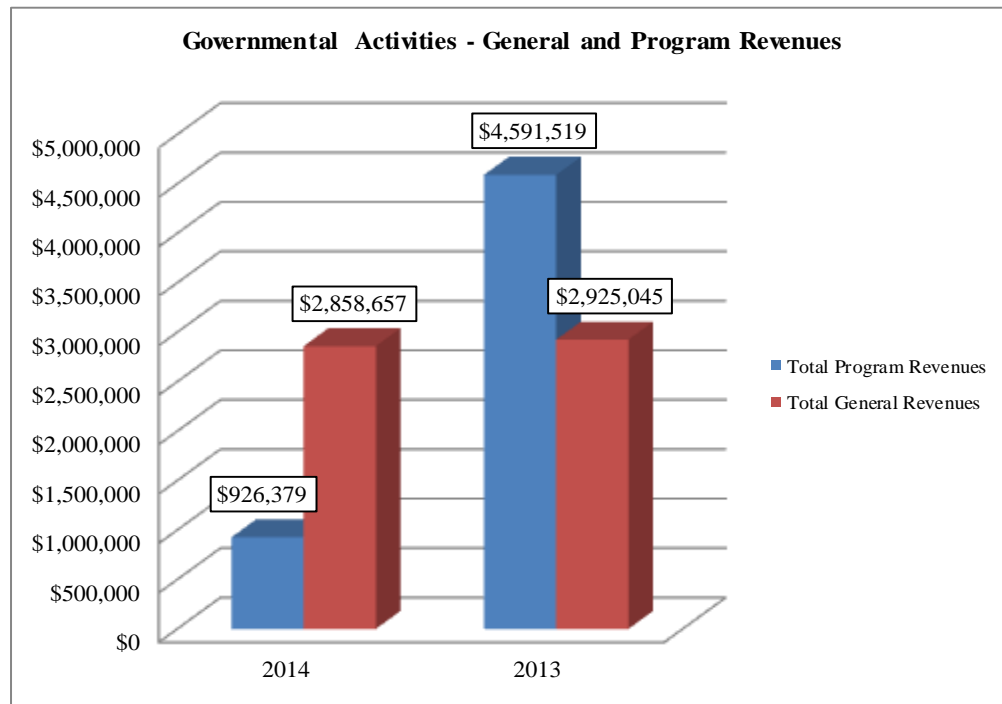
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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



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	Governmental Activities			
	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
General government	\$ 713,171	\$ 532,823	\$ 806,843	\$ 579,164
Security of persons and property	2,252,511	2,006,892	2,285,293	2,087,207
Public health services	53,076	53,076	52,814	52,814
Transportation	885,422	521,660	892,252	(2,884,473)
Leisure time activities	30,172	25,352	60,045	56,135
Refuse services	153,256	21,426	424,722	39,603
Other	25	25	7,994	7,994
Interest and fiscal charges	41,107	41,107	46,134	46,134
Total cost of service	\$ 4,128,740	\$ 3,202,361	\$4,576,097	\$ (15,422)

The City's dependence upon general revenues for governmental activities is apparent, with 77.56 percent of expenses supported through taxes and other general revenues.



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

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 21-22) reported a combined deficit fund balance of \$144,056, which is \$48,784 higher than last year's combined deficit fund balance of \$95,272. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2014, for all major and nonmajor governmental funds.

	Fund Balances/ (Deficits) 12/31/2014	Fund Balances/ (Deficits) 12/31/2013	Increase (Decrease)
Major funds:			
General	\$ 231,104	\$ 322,862	\$ (91,758)
Safety forces levy	4,552	(10,096)	14,648
Police levy	66,496	50,395	16,101
Fire levy	10,098	(847)	10,945
Andrews road construction	(564,124)	(517,779)	(46,345)
Other nonmajor governmental funds	107,818	60,193	47,625
Total	<u>\$ (144,056)</u>	<u>\$ (95,272)</u>	<u>\$ (48,784)</u>

General Fund

The City's General Fund balance decreased \$91,758, 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.

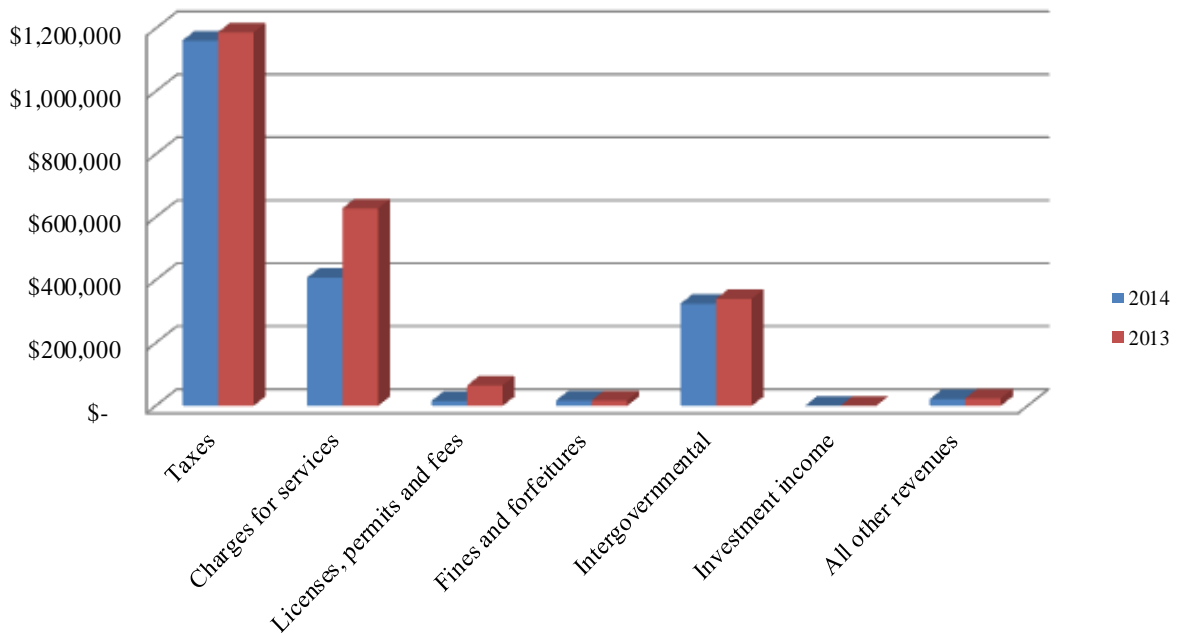
	2014 Amount	2013 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 1,161,542	\$ 1,187,736	-2.21%
Charges for services	407,310	628,221	-35.16%
Licenses, permits and fees	15,409	64,878	-76.25%
Fines and forfeitures	16,861	17,503	-3.67%
Intergovernmental	324,971	340,544	-4.57%
Investment income	202	413	-51.09%
All other revenues	20,918	23,705	-11.76%
Total	<u>\$ 1,947,213</u>	<u>\$ 2,263,000</u>	-13.95%

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Tax revenue represents 59.65 percent of all General Fund revenue. Income and property tax revenues combined experienced a slight decrease during 2014. Revenues from charges for services experienced the greatest decrease when compared to 2013 as a result of the City ceasing refuse services in 2014.

The following graphs show the breakdown of General Fund revenues for 2014 and 2013:

2014 vs. 2013 Revenue Comparison



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

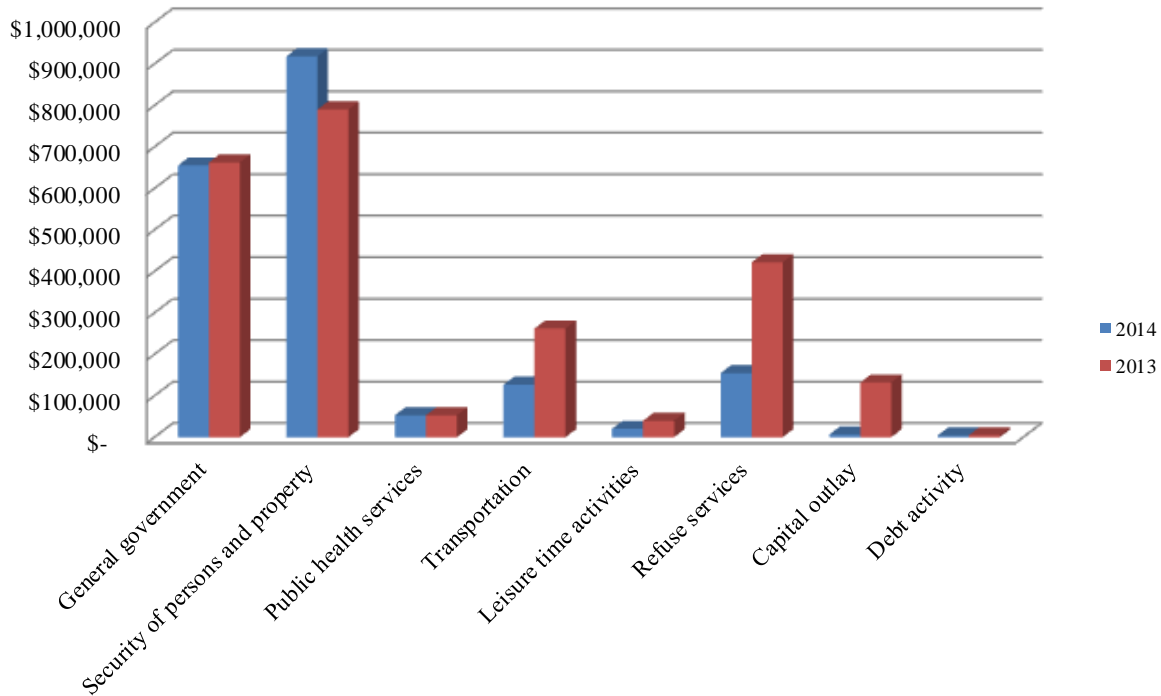
<u>Expenditures</u>	2014 Amount	2013 Amount	Percentage Change
General government	\$ 654,926	\$ 662,444	-1.13%
Security of persons and property	918,103	790,008	16.21%
Public health services	53,076	52,814	0.50%
Transportation	126,611	261,901	-51.66%
Leisure time activities	20,362	39,583	-48.56%
Refuse services	154,579	421,555	-63.33%
Capital outlay	6,292	131,768	-95.22%
Debt activity	4,372	4,679	-6.56%
Total	<u>\$ 1,938,321</u>	<u>\$ 2,364,752</u>	-18.03%

The most significant increase was in the area of security of persons and property. Refuse services along with transportation experienced the most significant decreases in expenditures when compared to 2013.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following graphs show the breakdown of General Fund expenditures for 2014 and 2013:

2014 vs. 2013 Expenditures Comparison



Safety Forces Levy Fund

The fund balance of the City's Safety Forces Levy Fund increased \$14,648, primarily due to a slight increase in revenues and decrease in expenditures. Revenues increased from \$568,624 in 2013 to \$578,220 in 2014. 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 \$588,942 in 2013 to \$563,572 in 2014.

Police Levy Fund

The fund balance of the City's Police Levy Fund increased \$16,101. Revenues increased from \$400,232 in 2013 to \$411,342 in 2014. Revenues consist primarily of property tax revenues and related reimbursements from the State. These property tax revenues are generated by two tax levies totaling 9.20 mils. Expenditures decreased from \$399,358 in 2013 to \$395,241 in 2014.

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Fire Levy Fund

The fund balance of the City's Fire Levy Fund increased \$10,945, primarily due to a slight increase in revenues and decrease in expenditures. Revenues increased from \$324,900 in 2013 to \$333,111 in 2014. 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 \$342,785 in 2013 to \$322,166 in 2014.

Andrews Road Construction Fund

The fund balance of the City's Andrews Road Construction Fund decreased \$46,345 in fund balance from a deficit fund balance of \$517,779 in 2013 to a deficit fund balance of \$564,124 in 2014. 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 \$1,910,591 were slightly more than final budgeted revenues and other financing sources by \$16,426. Actual expenditures and other financing uses of \$2,121,306 were \$100,340 lower than the final budgeted amounts.

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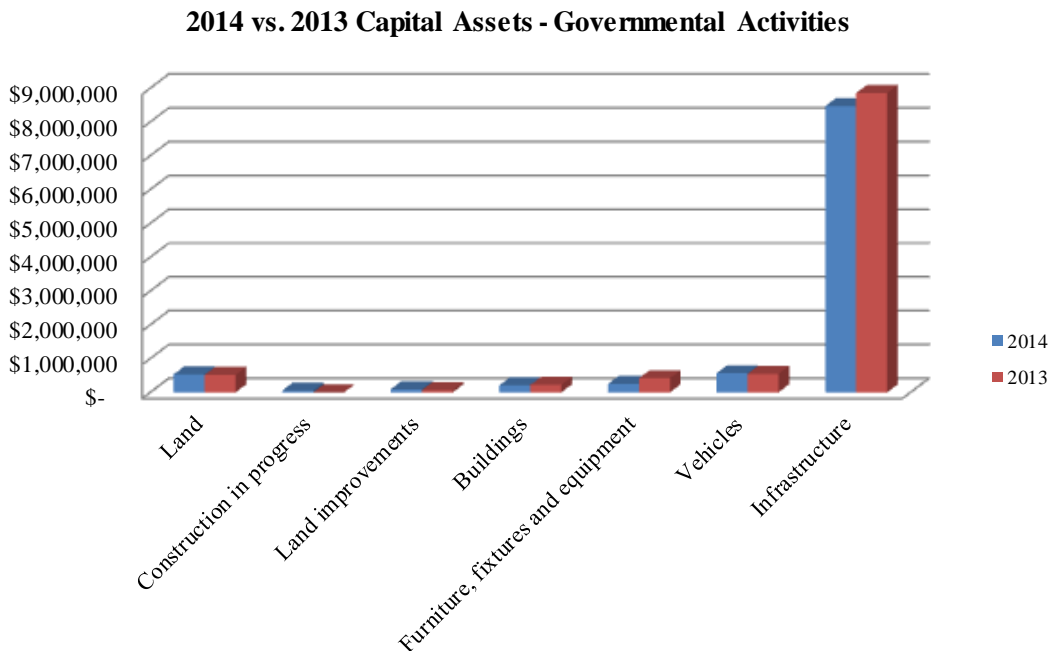
Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014, the City had \$10,151,945 (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 2014 balances compared to 2013:

	Capital Assets at December 31, (Net of Depreciation)	
	Governmental Activities	
	2014	2013
Land	\$ 528,914	\$ 516,024
Construction in progress	51,442	-
Land improvements	91,038	63,591
Buildings	206,118	218,913
Furniture, fixtures and equipment	246,659	416,818
Vehicles	564,171	545,295
Infrastructure	8,463,603	8,852,923
Total Capital Assets	\$ 10,151,945	\$10,613,564

The following graphs show the breakdown of governmental capital assets by category for 2014 and 2013:



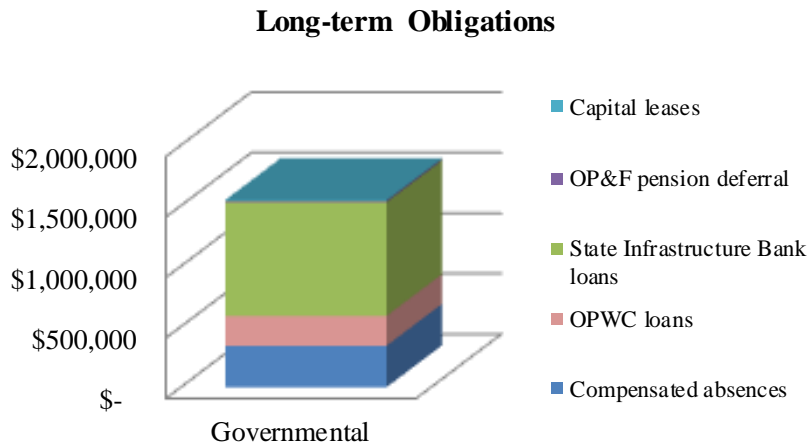
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Debt Administration

The City had the following long-term obligations outstanding at December 31, 2014 and 2013. See Note 10 for details regarding the City's long-term liabilities.

	2014	2013
Compensated absences	\$ 342,852	\$ 412,305
OPWC loans	246,062	278,507
State Infrastructure Bank loans	939,640	995,354
OP&F pension deferral	13,112	26,225
Capital leases	5,166	7,683
Total outstanding debt	\$ 1,546,832	\$ 1,720,074

A comparison of the long-term obligations of 2014 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.

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 Fund and the State Highway Fund for the period ending December 31, 2014, decreased by \$175,237. This decrease is a direct result of the continued reductions from the State of Ohio of our Local Government Funds. Also, expenditures for fiscal year 2014 were kept to a minimum knowing that fiscal year 2014 would reflect a continuation of static real estate assessed values due to the County Auditor's sexennial reappraisal. The County Auditor will do a triennial reappraisal in calendar year 2015, which will hopefully result in an increase in residential property values.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

The State of Ohio has several shared revenues with local municipalities; the most significant is the Local Government Fund. Five years ago, the Ohio General Assembly amended the distribution formula for the Local Government Fund so that the local municipalities share in 3.86 percent of all the State's general revenues collected. Since the State of Ohio was faced with an \$8 billion deficit they decided to balance their budget on the backs of Local Governments. The Governor submitted his budget to the General Assembly which proposed to reduce the Local Government Fund by 25 percent during the first year of the State's biennium budget and by another 50 percent in the second year of the biennium. The State removed the planned 10 year reimbursement of the tangible personal property tax that was in place due to the enactment of the CAT tax that the former Governor instituted. To make matters worse, the State also eliminated the Estate Tax as of fiscal year 2013; the City of Mentor-on-the-Lake averaged \$60,000 from that source over the last five fiscal years.

Over the last few years the City of Mentor-on-the-Lake has reduced its full time work force by 16 percent. With the reduction of the property values to be in place for the next fiscal year 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.

The City placed a five mill five year Operating Levy on the November 2013 ballot. The levy failed by 98 votes. The City's Charter Review Commission decided to put before the electorate a request to approve four separate levies at the November 2014 General election. They consisted of a 1.5 mill levy for Police Department operations, a 1.1 mill levy for Fire Department operations, a 1.2 mill for Road Construction and Repairs and a 1.1 mill levy for General Operations. All the levies passed with the exception of the 1.1 mill Operational Levy. With the passage of the three charter levies, the Fire Department operations is back to its original expenditure level which included the replacement of one fireman. The new levy for the Police Department permitted the replacement of one patrolman (three were lost to attrition) and the replacement of needed equipment. The Road Levy will permit the City to start resurfacing some roads. The City has not had a Road Repair Program for the last three fiscal years. The loss of the Operational Levy will mean that mainly the already reduced Recreation Program will continue to be non-operational.

Since fiscal year 2015 is a sexennial reappraisal year of County real estate, hopefully property values will begin to rise and our revenues will increase as well.

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
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 726,452
Materials and Supplies Inventory	13,456
Accounts Receivable	19,766
Intergovernmental Receivable	431,262
Prepaid Items	14,983
Income Taxes Receivable	224,297
Property Taxes Receivable	1,896,375
Nondepreciable Capital Assets	580,356
Depreciable Capital Assets	9,571,589
Total Assets	13,478,536
LIABILITIES	
Accounts Payable	22,184
Accrued Wages and Benefits	72,168
Intergovernmental Payable	72,564
Pension Obligation	22,993
Accrued Interest Payable	7,761
Unearned Revenue	97,982
Notes Payable	735,000
Long-term Liabilities:	
Due within one year	243,815
Due in more than one year	1,303,017
Total Liabilities	2,577,484
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	1,820,168
Deferred Inflows of Resources	1,820,168
NET POSITION	
Net Investment in Capital Assets	8,281,077
Restricted for:	
Debt Services	29,502
Capital Projects	43,041
Street Construction, Maintenance and Repair	174,826
Fire and Safety Services	171,161
Other Purposes	59,270
Unrestricted	322,007
Total Net Position	\$ 9,080,884

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
Security of Persons and Property	\$ 2,252,511	\$ 242,875	\$ 2,744	\$ -	\$ (2,006,892)
Public Health Services	53,076	-	-	-	(53,076)
Leisure Time Activities	30,172	4,820	-	-	(25,352)
Refuse Services	153,256	125,916	5,914	-	(21,426)
Transportation	885,422	-	363,762	-	(521,660)
General Government	713,171	121,905	45,553	12,890	(532,823)
Other	25	-	-	-	(25)
Interest and Fiscal Charges	41,107	-	-	-	(41,107)
Total Governmental activities	\$ 4,128,740	\$ 495,516	\$ 417,973	\$ 12,890	(3,202,361)
General Revenues:					
Property Taxes levied for:					
General Purposes					282,430
Other Purposes					1,158,452
Income Taxes levied for:					
General Purposes					848,948
Grants & Entitlements not restricted to specific programs					533,598
Investment Income					1,263
All Other Revenues					33,966
Total General Revenues					2,858,657
Change in Net Position					(343,704)
Net Position - Beginning of Year					9,424,588
Net Position - End of Year					\$ 9,080,884

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>Safety Forces Levy</u>	<u>Police Levy</u>
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 289,510	\$ 30,954	\$ 78,441
Materials and Supplies Inventory	-	-	2,550
Accounts Receivable	18,169	-	204
Intergovernmental Receivable	156,752	39,590	24,561
Prepaid Items	12,127	-	2,078
Income Taxes Receivable	224,297	-	-
Property Taxes Receivable	296,017	482,709	379,614
Total Assets	<u>\$ 996,872</u>	<u>\$ 553,253</u>	<u>\$ 487,448</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 14,194	\$ -	\$ 2,107
Accrued Wages and Benefits	26,159	26,402	6,828
Intergovernmental Payable	47,054	-	-
Pension Obligation Payable	8,042	-	7,842
Accrued Interest Payable	552	-	-
Notes Payable	75,000	-	-
Unearned Revenue	1,785	-	-
<i>Total Liabilities</i>	<u>172,786</u>	<u>26,402</u>	<u>16,777</u>
Deferred Inflows of Resources:			
Property Taxes	284,452	474,089	348,690
Unavailable Revenue - Delinquent Property Taxes	11,565	8,620	30,924
Unavailable Revenue - Income Taxes	158,298	-	-
Unavailable Revenue - Other	138,667	39,590	24,561
<i>Total Deferred Inflows of Resources</i>	<u>592,982</u>	<u>522,299</u>	<u>404,175</u>
Fund Balances:			
Nonspendable	12,127	-	4,628
Restricted	-	4,552	61,868
Committed	20,219	-	-
Assigned	60	-	-
Unassigned (Deficit)	198,698	-	-
<i>Total Fund Balances</i>	<u>231,104</u>	<u>4,552</u>	<u>66,496</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 996,872</u>	<u>\$ 553,253</u>	<u>\$ 487,448</u>

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014
(CONTINUED)**

<u>Fire Levy</u>	<u>Andrews Road Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 39,041	\$ -	\$ 288,506	\$ 726,452
790	-	10,116	13,456
-	-	1,393	19,766
19,550	-	190,809	431,262
755	-	23	14,983
-	-	-	224,297
301,853	-	436,182	1,896,375
<u>\$ 361,989</u>	<u>\$ -</u>	<u>\$ 927,029</u>	<u>\$ 3,326,591</u>
\$ 966	\$ -	\$ 4,917	\$ 22,184
8,508	-	4,271	72,168
16,552	-	8,958	72,564
4,462	-	2,647	22,993
-	4,124	736	5,412
-	560,000	100,000	735,000
-	-	96,197	97,982
<u>30,488</u>	<u>564,124</u>	<u>217,726</u>	<u>1,028,303</u>
277,330	-	435,607	1,820,168
24,523	-	575	76,207
-	-	-	158,298
19,550	-	165,303	387,671
<u>321,403</u>	<u>-</u>	<u>601,485</u>	<u>2,442,344</u>
1,545	-	10,139	28,439
8,553	-	170,605	245,578
-	-	27,222	47,441
-	-	-	60
-	(564,124)	(100,148)	(465,574)
<u>10,098</u>	<u>(564,124)</u>	<u>107,818</u>	<u>(144,056)</u>
<u>\$ 361,989</u>	<u>\$ -</u>	<u>\$ 927,029</u>	<u>\$ 3,326,591</u>

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Total Governmental Fund Balances	\$	(144,056)
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		10,151,945
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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	76,207		
Income taxes	158,298		
Intergovernmental revenues	383,149		
Charges for services	4,522		
Total			622,176

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due.		(2,349)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

OPWC loans	(246,062)		
Compensated absences	(342,852)		
Ohio police and fire pension deferral	(13,112)		
SIB loans	(939,640)		
Capital lease obligation	(5,166)		
Total			(1,546,832)

Net Position of Governmental Activities	\$	9,080,884
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The notes to the basic financial statements are an integral part of this statement.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Safety Forces Levy	Police Levy
REVENUES			
Property Taxes	\$ 299,368	\$ 499,031	\$ 360,309
Income Taxes	862,174	-	-
Intergovernmental	324,971	79,180	49,122
Investment Income	202	9	25
Licenses and Permits	15,409	-	-
Fines and Forfeitures	16,861	-	-
Charges for Services	407,310	-	-
All Other Revenues	20,918	-	1,886
Total Revenues	<u>1,947,213</u>	<u>578,220</u>	<u>411,342</u>
EXPENDITURES			
Security of Persons and Property	918,103	563,572	395,241
Public Health Services	53,076	-	-
Leisure Time Activities	20,362	-	-
Refuse Services	154,579	-	-
Transportation	126,611	-	-
General Government	654,926	-	-
Capital Outlay	6,292	-	-
Debt Service:			
Principal Retirement	2,517	-	-
Interest and Fiscal Charges	1,855	-	-
Other	-	-	-
Total Expenditures	<u>1,938,321</u>	<u>563,572</u>	<u>395,241</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,892</u>	<u>14,648</u>	<u>16,101</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	36,650	-	-
Transfers Out	(137,300)	-	-
Total Other Financing Sources (Uses)	<u>(100,650)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(91,758)	14,648	16,101
Fund Balances - Beginning of Year	322,862	(10,096)	50,395
Fund Balances - End of Year	<u>\$ 231,104</u>	<u>\$ 4,552</u>	<u>\$ 66,496</u>

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

<u>Fire Levy</u>	<u>Andrews Road Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 286,583	\$ -	\$ 33,371	\$ 1,478,662
-	-	-	862,174
39,099	-	416,889	909,261
23	-	1,004	1,263
-	-	-	15,409
-	-	27,998	44,859
-	-	25,924	433,234
7,406	-	3,756	33,966
<u>333,111</u>	<u>-</u>	<u>508,942</u>	<u>3,778,828</u>
320,145	-	49,914	2,246,975
-	-	-	53,076
-	-	500	20,862
-	-	-	154,579
-	-	337,828	464,439
-	-	35,200	690,126
2,021	-	57,295	65,608
-	-	88,159	90,676
-	8,354	31,037	41,246
-	-	25	25
<u>322,166</u>	<u>8,354</u>	<u>599,958</u>	<u>3,827,612</u>
<u>10,945</u>	<u>(8,354)</u>	<u>(91,016)</u>	<u>(48,784)</u>
-	43,925	241,016	321,591
-	(81,916)	(102,375)	(321,591)
-	(37,991)	138,641	-
<u>10,945</u>	<u>(46,345)</u>	<u>47,625</u>	<u>(48,784)</u>
(847)	(517,779)	60,193	(95,272)
<u>\$ 10,098</u>	<u>\$ (564,124)</u>	<u>\$ 107,818</u>	<u>\$ (144,056)</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, 2014**

Net Change in Fund Balances--Total Governmental Funds \$ (48,784)

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	52,242	
Capital contribution	12,890	
Depreciation	(526,251)	
Total	(461,119)	(461,119)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or (loss) is reported for each disposal. (500)

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

Delinquent property taxes	(37,780)	
Income taxes	(13,226)	
Intergovernmental revenues	42,310	
Charges for services	2,014	
Total	(6,682)	(6,682)

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. 90,676

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	69,453	
Accrued interest on bonds	139	
Ohio police and fire pension deferral	13,113	
Total	82,705	82,705

Change in Net Position of Governmental Activities \$ (343,704)

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 284,607	\$ 299,107	\$ 299,368	\$ 261
Income Taxes	870,000	870,000	856,756	(13,244)
Intergovernmental	315,160	318,060	323,874	5,814
Investment Income	500	500	202	(298)
Licenses and Permits	6,670	14,470	15,704	1,234
Fines and Forfeitures	20,000	20,000	17,713	(2,287)
Charges for Services	582,220	299,720	375,815	76,095
All Other Revenues	69,508	68,008	2,014	(65,994)
TOTAL REVENUES	<u>2,148,665</u>	<u>1,889,865</u>	<u>1,891,446</u>	<u>1,581</u>
EXPENDITURES				
Current:				
Security of Persons & Property	950,147	950,147	909,339	40,808
Public Health	58,000	58,000	53,076	4,924
Leisure Time Activities	25,240	25,240	21,624	3,616
Refuse Services	397,440	189,140	185,875	3,265
Transportation	138,400	138,400	127,680	10,720
General Government	653,263	649,113	615,025	34,088
Capital Outlay	39,681	39,771	39,771	-
TOTAL EXPENDITURES	<u>2,262,171</u>	<u>2,049,811</u>	<u>1,952,390</u>	<u>97,421</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(113,506)</u>	<u>(159,946)</u>	<u>(60,944)</u>	<u>99,002</u>
OTHER FINANCING SOURCES (USES)				
Transfers - Out	(137,300)	(137,300)	(137,300)	-
Other Financing Sources	2,500	4,300	19,145	14,845
Other Financing Uses	(33,125)	(34,535)	(31,616)	2,919
Total Other Financing Sources (Uses)	<u>(167,925)</u>	<u>(167,535)</u>	<u>(149,771)</u>	<u>17,764</u>
Net Change in Fund Balance	(281,431)	(327,481)	(210,715)	116,766
Fund Balance - Beginning of Year	467,739	467,739	467,739	-
Prior Year Encumbrances Appropriated	32,426	32,426	32,426	-
Fund Balance - End of Year	<u>\$ 218,734</u>	<u>\$ 172,684</u>	<u>\$ 289,450</u>	<u>\$ 116,766</u>

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

**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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 478,360	\$ 498,360	\$ 499,031	\$ 671
Intergovernmental	74,650	79,150	79,180	30
Investment Income	50	50	9	(41)
TOTAL REVENUES	<u>553,060</u>	<u>577,560</u>	<u>578,220</u>	<u>660</u>
EXPENDITURES				
Current:				
Security of Persons & Property	558,300	557,700	555,045	2,655
TOTAL EXPENDITURES	<u>558,300</u>	<u>557,700</u>	<u>555,045</u>	<u>2,655</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,240)</u>	<u>19,860</u>	<u>23,175</u>	<u>3,315</u>
OTHER FINANCING SOURCES (USES)				
Other Financing Uses	(6,700)	(7,300)	(7,210)	90
Total Other Financing Sources (Uses)	<u>(6,700)</u>	<u>(7,300)</u>	<u>(7,210)</u>	<u>90</u>
Net Change in Fund Balance	(11,940)	12,560	15,965	3,405
Fund Balance - Beginning of Year	14,989	14,989	14,989	-
Fund Balance - End of Year	<u>\$ 3,049</u>	<u>\$ 27,549</u>	<u>\$ 30,954</u>	<u>\$ 3,405</u>

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

**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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 338,725	\$ 359,725	\$ 360,309	\$ 584
Intergovernmental	52,860	49,160	49,122	(38)
Investment Income	500	500	25	(475)
TOTAL REVENUES	<u>392,085</u>	<u>409,385</u>	<u>409,456</u>	<u>71</u>
EXPENDITURES				
Current:				
Security of Persons & Property	425,143	423,143	384,956	38,187
TOTAL EXPENDITURES	<u>425,143</u>	<u>423,143</u>	<u>384,956</u>	<u>38,187</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(33,058)</u>	<u>(13,758)</u>	<u>24,500</u>	<u>38,258</u>
OTHER FINANCING SOURCES (USES)				
Other Financing Sources	-	2,600	1,682	(918)
Other Financing Uses	<u>(6,900)</u>	<u>(7,100)</u>	<u>(7,053)</u>	<u>47</u>
Total Other Financing Sources (Uses)	<u>(6,900)</u>	<u>(4,500)</u>	<u>(5,371)</u>	<u>(871)</u>
Net Change in Fund Balance	<u>(39,958)</u>	<u>(18,258)</u>	<u>19,129</u>	<u>37,387</u>
Fund Balance - Beginning of Year	55,315	55,315	55,315	-
Prior Year Encumbrances Appropriated	<u>2,043</u>	<u>2,043</u>	<u>2,043</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 17,400</u>	<u>\$ 39,100</u>	<u>\$ 76,487</u>	<u>\$ 37,387</u>

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

**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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 269,449	\$ 286,449	\$ 286,583	\$ 134
Intergovernmental	42,040	39,040	39,099	59
Investment Income	50	50	23	(27)
TOTAL REVENUES	<u>311,539</u>	<u>325,539</u>	<u>325,705</u>	<u>166</u>
EXPENDITURES				
Current:				
Security of Persons & Property	334,404	342,404	305,889	36,515
Capital Outlay	3,100	2,700	2,021	679
TOTAL EXPENDITURES	<u>337,504</u>	<u>345,104</u>	<u>307,910</u>	<u>37,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,965)</u>	<u>(19,565)</u>	<u>17,795</u>	<u>37,360</u>
OTHER FINANCING SOURCES (USES)				
Other Financing Sources	-	2,400	7,406	5,006
Other Financing Uses	<u>(5,700)</u>	<u>(6,100)</u>	<u>(6,029)</u>	<u>71</u>
Total Other Financing Sources (Uses)	<u>(5,700)</u>	<u>(3,700)</u>	<u>1,377</u>	<u>5,077</u>
Net Change in Fund Balance	<u>(31,665)</u>	<u>(23,265)</u>	<u>19,172</u>	<u>42,437</u>
Fund Balance - Beginning of Year	15,196	15,196	15,196	-
Prior Year Encumbrances Appropriated	3,204	3,204	3,204	-
Fund Balance - End of Year	<u>\$ (13,265)</u>	<u>\$ (4,865)</u>	<u>\$ 37,572</u>	<u>\$ 42,437</u>

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	Agency Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 100,650
Cash and Cash Equivalents in Segregated Accounts	8,134
Total Assets	\$ 108,784
 Liabilities	
Deposits Held and Due to Others	8,134
Undistributed Monies	100,650
Total Liabilities	\$ 108,784

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

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014
(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, 2014
(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, 2014
(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, 2014
(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, 2014
(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. The City does not have any deferred outflows of resources.

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 and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 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.

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, 2014
(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 budgetary control is at the fund, department, and object level 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 2014.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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 2014, 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, 2014.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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 2014, interest revenue earned and credited to the General Fund amounted to \$202, which included \$104 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, 2014
(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, 2014.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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, 2014
(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 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. 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.

M. Fund Balance

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

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

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

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

M. **Fund Balance** (Continued)

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.

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.

N. **Estimates**

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

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

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

O. 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.

P. 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 2014.

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE**

A. Changes in Accounting Principles

GASB Statement Number 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the City.

GASB Statement Number 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013 and have been implemented by the City.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 3: **ACCOUNTABILITY AND COMPLIANCE** (Continued)

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

GASB Statement Number 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the City.

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

B. **Deficit Fund Balances**

Fund balances at December 31, 2014, included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
Andrews Road Construction	\$ 564,124
 <u>Nonmajor Funds</u>	
Radio Equipment	54,817
OPWC - Holly Drive	45,331

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, 2014
(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, 2014
(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, 2014
(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, 2014, the carrying amount of all City deposits was \$495,170. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2014, \$143,884 of the City’s bank balance of \$507,257 was exposed to custodial risk as discussed below, while \$363,373 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, 2014, 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>\$ 339,456</u>	<u>\$ 339,456</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.

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LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 339,456</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, 2014:

<u>Cash and Investments per Footnote</u>	
Cash on Hand	\$ 610
Carrying Amount of Deposits	495,170
Investments	<u>339,456</u>
Total Cash and Investments per Footnote	<u>\$ 835,236</u>
 <u>Cash and Cash Equivalents per Statements</u>	
Governmental Activities	\$ 726,452
Agency Funds	<u>108,784</u>
Total Cash and Investments per Statements	<u>\$ 835,236</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, 2014
(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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 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, 2014, was \$24.00 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2014 property tax receipts were based are as follows:

Real Property Tax	\$ 122,555,300
Public Utility Tangible Personal Property Tax	<u>5,456,300</u>
Total Assessed Valuation	<u>\$ 128,011,600</u>

Property taxes receivables represent real and public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2014. 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 \$862,174 on the modified accrual basis for fiscal year 2014.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

NOTE 6: **RECEIVABLES**

Receivables at December 31, 2014, 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, 2014.

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

Governmental Activities

Property Taxes	\$ 1,896,375
Income Taxes	224,297
Accounts	19,766
Intergovernmental:	
Homestead & Rollback Reimbursements	141,699
Local Government	132,482
Gasoline & Excise Taxes/Auto Registration	156,566
Other	515

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, 2014
(CONTINUED)

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balances 12/31/2013	Reclasses	Reclassified Balances 12/31/2013	Additions	Disposals	Balances 12/31/2014
Governmental Activities						
Nondepreciable Assets:						
Land	\$ 516,024	\$ -	\$ 516,024	\$ 12,890	\$ -	\$ 528,914
Construction in progress	-	-	-	51,442	-	51,442
Total Nondepreciable Assets	<u>516,024</u>	<u>-</u>	<u>516,024</u>	<u>64,332</u>	<u>-</u>	<u>580,356</u>
Depreciable Assets:						
Land Improvements	124,613	109,964	234,577	-	-	234,577
Buildings	623,720	-	623,720	-	-	623,720
Furniture, fixtures and equipment	615,976	(135,292)	480,684	-	-	480,684
Vehicles	1,389,800	25,328	1,415,128	800	(22,848)	1,393,080
Infrastructure:						
Roads	8,692,840	-	8,692,840	-	-	8,692,840
Storm sewers	989,647	-	989,647	-	-	989,647
Total Depreciable Assets	<u>12,436,596</u>	<u>-</u>	<u>12,436,596</u>	<u>800</u>	<u>(22,848)</u>	<u>12,414,548</u>
Less Accumulated Depreciation						
Land Improvements	(61,022)	(70,075)	(131,097)	(12,442)	-	(143,539)
Buildings	(404,807)	5,865	(398,942)	(18,660)	-	(417,602)
Furniture, fixtures and equipment	(199,158)	(7,731)	(206,889)	(27,136)	-	(234,025)
Vehicles	(844,505)	71,941	(772,564)	(78,693)	22,348	(828,909)
Infrastructure:						
Roads	(698,082)	-	(698,082)	(368,140)	-	(1,066,222)
Storm sewers	(131,482)	-	(131,482)	(21,180)	-	(152,662)
Total Accumulated Depreciation	<u>(2,339,056)</u>	<u>-</u>	<u>(2,339,056)</u>	<u>(526,251)</u>	<u>22,348</u>	<u>(2,842,959)</u>
Total Depreciable Assets, Net	<u>10,097,540</u>	<u>-</u>	<u>10,097,540</u>	<u>(525,451)</u>	<u>(500)</u>	<u>9,571,589</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,613,564</u>	<u>\$ -</u>	<u>\$ 10,613,564</u>	<u>\$ (461,119)</u>	<u>\$ (500)</u>	<u>\$ 10,151,945</u>

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

Security of Persons and Property:	\$ 74,328
Leisure Time Activities	9,310
Transportation	416,225
General Government	26,388
Total Depreciation Expense	<u>\$ 526,251</u>

The City reclassified several capital assets within categories to accurately reflect the balances in the City's capital asset system. The net effect of the reclasses had no impact on the total capital asset amounts.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 8: INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2014, 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	\$ -	\$ -	\$ 36,650	\$ 36,650
Andrews Road Construction Fund	-	-	43,925	43,925
Nonmajor Governmental Funds	137,300	81,916	21,800	241,016
	<u>\$137,300</u>	<u>\$ 81,916</u>	<u>\$ 102,375</u>	<u>\$321,591</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 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, 2014
(CONTINUED)**

NOTE 9: **NOTES PAYABLE**

The City had the following outstanding bond anticipation notes at December 31, 2014:

	Interest Rate	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
Various purpose improvements Bond anticipation notes, 2013	1.50%	\$ 825,000	\$ -	\$ (825,000)	\$ -
Various purpose improvements Bond anticipation notes, 2014	1.40%	-	735,000	-	735,000
Total Notes Payable		<u>\$ 825,000</u>	<u>\$ 735,000</u>	<u>\$ (825,000)</u>	<u>\$ 735,000</u>

During 2014, the City retired the \$825,000 bond anticipation notes that were due on June 19, 2014, with the proceeds from the issuance of \$735,000 in 2014 bond anticipation notes. The 2014 bond anticipation note issuance is broken down as follows: \$560,000 was issued for the State Route 283 project; \$45,000 was issued for the Holly Drive project; \$75,000 was issued for the purchase of miscellaneous equipment in the General Fund; and \$55,000 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 1.40 percent interest rate and are scheduled to mature on June 18, 2015.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 10: LONG-TERM OBLIGATIONS

A. Changes in Governmental Activities' Long-Term Obligations

During the fiscal year 2014, the following changes occurred in the City's governmental activities' long-term obligations:

	<u>Interest Rate</u>	<u>Balance 12/31/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>	<u>Amounts Due in One Year</u>
Governmental Activities:						
<u>OPWC Loans:</u>						
1996 - 20 years						
OPWC 94 (Harbor Creek)	0%	\$ 21,518	\$ -	\$ (8,606)	\$ 12,912	\$ 8,607
2000 - 20 years						
OPWC 99 (Reynolds Rd.)	0%	48,750	-	(7,500)	41,250	7,500
2004 - 20 years						
OPWC 04 (Holly Dr.)	0%	72,439	-	(6,585)	65,854	6,586
2005 - 20 years						
OPWC 05 (Weber Area)	0%	27,050	-	(2,254)	24,796	2,254
2007 - 20 years						
OPWC 07 (SR 283)	0%	108,750	-	(7,500)	101,250	7,500
Total OPWC Loans		<u>278,507</u>	<u>-</u>	<u>(32,445)</u>	<u>246,062</u>	<u>32,447</u>
<u>Other Long-Term Obligations:</u>						
SIB Loan # 070B10	3%	995,354	-	(55,714)	939,640	57,398
Ohio Police and Fire Pension						
1st Quarter Deferral		26,225	-	(13,113)	13,112	13,112
Compensated absences		412,305	149,928	(219,381)	342,852	138,133
Capital lease obligation	7.9%	7,683	-	(2,517)	5,166	2,725
Total Other Long-Term Obligations		<u>1,441,567</u>	<u>149,928</u>	<u>(290,725)</u>	<u>1,300,770</u>	<u>211,368</u>
Total Governmental Activities						
Long-Term Obligations		<u>\$ 1,720,074</u>	<u>\$ 149,928</u>	<u>\$ (323,170)</u>	<u>\$1,546,832</u>	<u>\$ 243,815</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, Fire Levy, 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, 2014
(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 2014, the City has paid two of the three installments totaling \$26,226. The 2015 installment will be \$13,112. The City will utilize the General Fund and the Fire Levy Fund to repay these obligations.

Principal requirements to retire the long-term loans outstanding at December 31, 2014, are as follows:

Year	OPWC Loans	SIB Loan # 070B10	
	Principal	Principal	Interest
2015	\$ 32,447	\$ 57,398	\$ 27,762
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
2020-2024	85,444	353,816	71,984
2025-2028	28,507	280,952	17,108
Total	<u>\$ 246,062</u>	<u>\$ 939,640</u>	<u>\$ 210,020</u>

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014, the City's total debt margin was \$11,552,367 and the unvoted debt margin was \$5,151,787.

NOTE 11: **PENSION PLAN**

A. Ohio Public Employees Retirement System

The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits 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.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, the members of all three plans were required to contribute 10.00 percent of their earnable salaries. The City's contribution rate was 14.00 percent of earnable salaries. The pension allocation for the Traditional and Combined Plans was 12.00 percent during calendar year 2014. The City's required pension contributions for the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$132,265, \$151,781, and \$121,215, respectively; 92.35 percent has been contributed for 2014 and 100 percent has been contributed for 2013 and 2012. The unpaid contribution to fund pension obligations for 2014, in the amount of \$11,810, is recorded as a short-term liability within the respective funds.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

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

B. Ohio Police and Fire Pension Fund (Continued)

From January 1, 2014 thru July 1, 2014, Plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 thru December 31, 2014, Plan members were required to contribute 11.50 percent of their annual covered salary. Throughout 2014, the City was required to contribute 19.50 percent and 24.00 percent for police officers and firefighters, respectively.

The portion of the City's contributions to fund pension obligations from January 1, 2014 thru December 31, 2014 for police officers and firefighters was 19.00 percent and 23.50 percent, respectively. The City's contributions for pension obligations to the OP&F for the years ended December 31, 2014, 2013, and 2012 were \$162,412, \$120,503 and \$145,174, respectively; 85.39 percent has been contributed for 2014 and 100 percent for 2013 and 2012. The remaining unpaid contribution to fund OP&F obligations for 2014, in the amount of \$24,295, is recorded as a liability. Of this amount, \$11,183 is recorded as a short term liability recorded within the respective funds and \$13,112 is recorded as a long-term liability which will be fully repaid in fiscal year 2015.

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 a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, 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 post-employment health care coverage.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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

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

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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan 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.

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. The 2014 local government employer contribution rate was 14.00 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of earnable salaries for local government employers. Active members do not fund the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. 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 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00 percent for both plans, as recommended by OPERS actuary. The OPERS Board of Trustees 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.

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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

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

The City's actual employer contributions for December 31, 2014, 2013 and 2012 which were used to fund post-employment benefits were \$22,044, \$11,675, and \$48,486, respectively; 92.35 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00 percent of the employer contributions toward the health care fund after the end of the transition period.

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 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.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

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

B. Ohio Police and Fire Pension Fund (Continued)

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.

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, 2014 thru December 31, 2014. 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 \$2,969 and \$1,055 for the year ended December 31, 2014, \$18,792 and \$6,804 for the year ended December 31, 2013, and \$34,710 and \$12,628 for the year ended December 31, 2012, respectively; 85.39 percent has been contributed for 2014 and 100 percent for 2013 and 2012.

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014
(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, 2014.

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 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, 2014
(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.

	General	Safety Forces Levy	Police Levy	Fire Levy
Budget basis	\$ (210,715)	\$ 15,965	\$ 19,129	\$ 19,172
Net adjustment of revenue accruals	55,767	-	1,886	7,406
Net adjustment of expenditure accruals	14,009	(8,527)	(12,239)	(15,725)
Net adjustment of other sources/uses	49,121	7,210	5,371	(1,377)
Adjustment for encumbrances	60	-	1,954	1,469
GAAP basis	<u>\$ (91,758)</u>	<u>\$ 14,648</u>	<u>\$ 16,101</u>	<u>\$ 10,945</u>

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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	\$ 12,127	\$ -	\$ 2,078	\$ 755	\$ -	\$ 23	\$ 14,983
Materials and Supplies Inventory	-	-	2,550	790	-	10,116	13,456
<i>Total Nonspendable</i>	<u>12,127</u>	<u>-</u>	<u>4,628</u>	<u>1,545</u>	<u>-</u>	<u>10,139</u>	<u>28,439</u>
<i>Restricted for</i>							
Police Pension	-	-	-	-	-	2,456	2,456
Safety Services	-	4,552	61,868	8,553	-	-	74,973
Other Law Enforcement	-	-	-	-	-	19,132	19,132
EMS Grant	-	-	-	-	-	4,176	4,176
FEMA Grants	-	-	-	-	-	2,524	2,524
ODNR Grant	-	-	-	-	-	1,275	1,275
PEG Grant	-	-	-	-	-	29,274	29,274
Streets and Highways	-	-	-	-	-	61,209	61,209
Debt Service	-	-	-	-	-	31,851	31,851
OPWC Capital Projects	-	-	-	-	-	18,708	18,708
<i>Total Restricted</i>	<u>-</u>	<u>4,552</u>	<u>61,868</u>	<u>8,553</u>	<u>-</u>	<u>170,605</u>	<u>245,578</u>
<i>Committed to</i>							
McMinn Memorial Park	-	-	-	-	-	413	413
Labor Day Parade	-	-	-	-	-	633	633
Toys for Kids Program	-	-	-	-	-	1,843	1,843
Municipal Complex Renovations	-	-	-	-	-	6,886	6,886
Fire Equipment	-	-	-	-	-	16,702	16,702
Recreation Capital Projects	-	-	-	-	-	745	745
Grade Stake Fees	20,219	-	-	-	-	-	20,219
<i>Total Committed</i>	<u>20,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,222</u>	<u>47,441</u>
<i>Assigned to</i>							
Purchases on Order	60	-	-	-	-	-	60
<i>Total Assigned</i>	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60</u>
<i>Unassigned (Deficit)</i>	198,698	-	-	-	(564,124)	(100,148)	(465,574)
Total Fund Balances	<u>\$ 231,104</u>	<u>\$ 4,552</u>	<u>\$ 66,496</u>	<u>\$ 10,098</u>	<u>\$ (564,124)</u>	<u>\$ 107,818</u>	<u>\$ (144,056)</u>

CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014, the City's commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
Major Funds:	
General	\$ 60
Police Levy	1,954
Fire Levy	1,469
Nonmajor Funds:	
Special Revenue Funds	4,706
Total	\$ 8,189

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, 2014, the net book value of this asset is \$8,573. The City's lease obligation meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards Board No. 13, Accounting for Leases. 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,		
2015	\$	3,038
2016		2,531
Total Minimum Lease Payments		5,569
Less: Amounts Representing Interest		(403)
Present Value of Minimum Lease Payments	\$	5,166

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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.



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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2015.

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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

June 15, 2015



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 30, 2015**