

CITY OF MENTOR-ON-THE-LAKE

*GENERAL-PURPOSE
FINANCIAL STATEMENTS
(AUDITED)
FOR THE YEAR ENDED
DECEMBER 31, 1999*

TRIMBLE, JULIAN & GRUBE, INC.

TJG

CITY OF MENTOR-ON-THE-LAKE

***GENERAL-PURPOSE
FINANCIAL STATEMENTS
(AUDITED)
FOR THE YEAR ENDED
DECEMBER 31, 1999***

KIP MOLENAAR, DIRECTOR OF ADMINISTRATION

CITY OF MENTOR-ON-THE-LAKE

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STATE OF OHIO
OFFICE OF THE AUDITOR

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The Honorable John Rogers, Mayor
and Members of Council
City of Mentor-On-The-Lake
5860 Andrews Road
Mentor-on-the-Lake, Ohio 44060

We have reviewed the Independent Auditor's Report of the City of Mentor-On-The-Lake, Lake County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

June 21, 2000

TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor's Report

The Honorable John Rogers, Mayor
and Members of Council
City of Mentor-On-The-Lake
5860 Andrews Road
Mentor-On-The-Lake, Ohio 44060

We have audited the accompanying general purpose financial statements of the City of Mentor-On-The-Lake as of and for the year ended December 31, 1999. These general-purpose financial statements are the responsibility of the City of Mentor-On-The-Lake's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Mentor-On-The-Lake, as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2000 on our consideration of the City of Mentor-On-The-Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.

June 8, 2000

CITY OF MENTOR-ON-THE-LAKE
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999

	Governmental Fund Types				Fiduciary Fund Types			Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust and Agency	General		Long-Term Obligations			
						Fixed Assets					
ASSETS AND OTHER DEBITS:											
ASSETS:											
Equity in pooled cash and cash equivalents	\$714,106	\$171,674	\$34,566	\$262,024	\$94,391	\$0	\$0	\$0			\$1,276,761
Receivables (net of allowances):											
Taxes	251,065	1,151,015	58,606	0	0	0	0	0			1,460,706
Accounts	18,498	0	0	16,900	0	0	0	0			35,398
Special assessments	0	0	73,817	0	0	0	0	0			73,817
Accrued interest	770	414	0	0	0	0	0	0			1,184
Prepayments	7,452	2,088	0	0	0	0	0	0			9,540
Fixed assets	0	0	0	0	0	2,549,514	0	0			2,549,514
OTHER DEBITS:											
Amount to be provided for retirement of general long-term obligations	0	0	0	0	0	0	0	1,050,197			1,050,197
Amount available in debt service funds	0	0	0	0	0	0	0	31,506			31,506
Total assets and other debits	\$991,911	\$1,325,191	\$166,989	\$278,924	\$94,391	\$2,549,514	\$1,081,703	\$1,081,703			\$6,488,623

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF MENTOR-ON-THE-LAKE
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
 DECEMBER 31, 1989

	Governmental Fund Types				Fiduciary Fund Types			Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust and Agency	General Fixed Assets	General Long-Term Obligations				
LIABILITIES:											
Accounts payable	\$83,945	\$11,670	\$0	\$13,325	\$0	\$0	\$0	\$0	\$0	\$0	\$108,940
Accrued wages and benefits	7,311	27,421	0	0	0	0	0	0	0	0	34,732
Compensated absences payable	0	0	0	0	0	0	0	0	119,518	0	119,518
Pension obligation payable	0	0	0	0	0	0	0	0	37,090	0	37,090
Deferred revenue	227,341	1,134,186	132,423	0	0	0	0	0	0	0	1,493,950
General obligation bonds payable	0	0	0	0	0	0	0	0	180,000	0	180,000
Notes payable	0	0	0	0	0	0	0	0	385,095	0	385,095
Special assessment bonds payable	0	0	0	0	0	0	0	0	360,000	0	360,000
Bond anticipation note payable	22,500	0	0	662,500	0	0	0	0	0	0	685,000
Deposits held and due to others	0	0	0	0	93,750	0	0	0	0	0	93,750
Other accrued liabilities	2,159	2,713	3,060	0	0	0	0	0	0	0	7,932
Total liabilities	343,256	1,175,990	135,483	675,825	93,750	0	1,081,703	0	1,081,703	0	3,506,007
EQUITY AND OTHER CREDITS:											
Investments in general fixed assets	0	0	0	0	0	2,549,514	0	0	0	0	2,549,514
Fund balances (deficit):											
Reserve for encumbrances	113,678	11,544	0	206,920	0	0	0	0	0	0	332,142
Reserve for prepaids	7,452	2,088	0	0	0	0	0	0	0	0	9,540
Reserve for debt service	0	0	31,506	0	0	0	0	0	0	0	31,506
Unreserved-undesignated	527,525	135,569	0	(603,821)	641	0	0	0	0	0	59,914
Total equity and other credits	648,655	149,201	31,506	(396,901)	641	2,549,514	0	0	0	0	2,982,616
Total liabilities, equity and other credits	\$991,911	\$1,325,191	\$166,989	\$278,924	\$94,391	\$2,549,514	\$1,081,703	\$0	\$1,081,703	\$0	\$6,488,623

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF MENTOR-ON-THE-LAKE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property taxes	\$207,805	\$1,156,168	\$59,373			\$1,423,346
Municipal income taxes	699,357					699,357
Intergovernmental revenues	811,675	219,061		\$454,657		1,485,393
Charges for services	417,201	1,710		2,769		421,680
Licenses, permits and fees	27,375					27,375
Investment income	36,499	17,388		7,156		61,043
Special assessments			83,375			83,375
Fines and forfeitures	49,060	1,576				50,636
Miscellaneous	15,439	745				16,184
Total revenues	2,264,411	1,396,648	142,748	464,582		4,268,389
Expenditures:						
Current Operations:						
Security of persons and property	542,449	1,149,908				1,692,357
Public health and welfare	39,831					39,831
Leisure time activities	50,756	449				51,205
Basic utility services	256,220					256,220
Transportation	178,731	268,794		91,882		539,407
General government	506,809			1,057		507,866
Capital outlay	257,662	11,055		713,885		982,602
Debt service:						
Principal retirement			114,625			114,625
Interest and fiscal charges			44,341	10,250		54,591
Total expenditures	1,832,458	1,430,206	158,966	817,074		4,238,704
Excess (deficiency) of revenues over (under) expenditures	431,953	(33,558)	(16,218)	(352,492)		29,685
Other financing sources (uses):						
Proceeds of notes				121,901		121,901
Operating transfers in		500	19,630	60,250		80,380
Operating transfers (out)	(80,380)					(80,380)
Other financing sources	1,065				\$551	1,616
Other financing uses	(12,519)	(13,034)			(372)	(25,925)
Total other financing sources (uses)	(91,834)	(12,534)	19,630	182,151	179	97,592
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	340,119	(46,092)	3,412	(170,341)	179	127,277
Fund balance at beginning of year	308,536	195,293	28,094	(226,560)	462	305,825
Fund balance at end of year	\$648,655	\$149,201	\$31,506	(\$396,901)	\$641	\$433,102

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF MENTOR-ON-THE-LAKE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - BUDGETARY BASIS
 ALL GOVERNMENTAL FUND TYPES
 FOR THE PERIOD ENDING DECEMBER 31, 1999

	GENERAL FUND			SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			TOTAL MEMORANDUM ONLY		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:															
Property Taxes	\$ 200,950	\$ 205,745	\$ 4,795	\$ 1,131,590	\$ 1,160,288	\$ 28,708	\$ 58,000	\$ 59,373	\$ 1,373	\$ 1,360,530	\$ 1,425,406	\$ 64,876	\$ 1,360,530	\$ 1,425,406	\$ 64,876
Municipal Income Taxes	680,000	689,719	109,719	0	0	0	0	0	0	590,000	689,719	109,719	590,000	689,719	99,719
Intergovernmental Revenues	680,690	814,543	133,853	221,100	229,280	8,180	0	0	0	1,351,369	1,496,460	145,091	1,351,369	1,496,460	145,091
Charges for Services	352,060	410,422	58,362	1,200	1,710	510	0	0	0	368,260	416,670	48,410	368,260	416,670	48,410
Licenses and Permits	10,100	27,360	17,260	0	0	0	0	0	0	10,100	27,360	17,260	10,100	27,360	17,260
Investment Earnings	27,060	37,790	10,730	7,800	12,854	5,054	0	0	0	34,860	57,800	22,940	34,860	57,800	22,940
Special Assessments	0	0	0	0	0	0	78,200	83,375	5,175	78,200	83,375	5,175	78,200	83,375	5,175
Fines and Forfeitures	50,000	48,495	(1,505)	2,100	2,675	575	0	0	0	52,100	51,170	(930)	52,100	51,170	(930)
All Other Revenues	18,400	15,460	(2,940)	300	0	(300)	0	0	0	15,700	15,460	(240)	15,700	15,460	(240)
TOTAL REVENUES	1,917,290	2,249,634	332,344	1,364,080	1,405,787	42,707	136,200	142,748	6,548	484,699	466,351	(1,752)	3,882,139	4,285,420	383,281
EXPENDITURES:															
Current:															
Security of Persons & Property	562,599	559,947	22,652	1,224,611	1,148,105	76,506	0	0	0	0	0	0	1,807,210	1,708,052	99,158
Public Health & Welfare Service	39,860	39,831	29	0	0	0	0	0	0	0	0	0	39,850	39,831	19
Leisure Time Activities	65,970	50,895	6,375	5,200	2,335	2,865	0	0	0	0	0	0	61,170	52,930	8,240
Basic Utility Services	257,780	255,673	2,107	0	0	0	0	0	0	0	0	0	257,780	255,673	2,107
Transportation	196,090	186,741	9,349	285,540	265,795	28,845	0	0	0	923,000	832,270	(9,730)	1,414,730	1,385,805	28,924
General Government	985,178	520,432	64,746	0	0	0	0	0	0	1,154	1,057	97	586,332	521,489	64,843
Capital Outlay	330,975	300,147	30,828	14,389	12,583	1,806	0	0	0	0	0	0	345,364	312,720	32,644
Debt Service:															
Principal Retirement	0	0	0	0	0	0	364,625	364,625	0	0	0	0	364,625	364,625	0
Interest & Fiscal Charges	0	0	0	0	0	0	59,665	57,844	1,821	0	0	0	59,665	57,844	1,821
TOTAL EXPENDITURES	2,049,442	1,913,366	135,076	1,539,840	1,429,818	110,022	424,290	422,469	1,821	924,154	933,327	(9,173)	4,956,726	4,698,980	237,746
Excess (Deficiency) of Revenues Over Expenditures	(131,152)	336,168	467,350	(175,760)	(23,031)	152,729	(288,090)	(279,721)	8,369	(459,555)	(466,976)	(7,421)	(1,054,587)	(433,560)	621,027
Other Financing Sources (Uses):															
Proceeds of Notes	0	22,500	22,500	0	0	0	200,000	200,000	0	436,901	584,401	147,500	636,901	908,901	170,000
Operating Transfers - In	0	0	0	500	500	0	79,860	79,860	0	18,500	0	(18,500)	98,650	80,340	(18,310)
Operating Transfers - Out	(80,380)	(80,380)	0	0	0	0	0	0	0	0	0	0	(80,380)	(80,380)	0
Other Financing Sources	1,700	1,313	(387)	(18,970)	(13,027)	5,943	0	0	0	0	0	0	1,700	1,313	(387)
Other Financing Uses	(22,155)	(12,799)	9,356	0	0	0	0	0	0	0	0	0	(40,225)	(25,559)	14,666
Total Other Financing Sources (Uses)	(100,835)	(59,366)	31,469	(17,570)	(12,527)	5,043	279,860	279,860	0	455,401	584,401	129,000	616,876	782,388	165,512
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures & Other Uses	(232,017)	286,802	498,819	(193,330)	(35,558)	167,772	(6,210)	169	8,369	(4,154)	117,425	121,579	(437,711)	348,828	786,539
Fund Balance, Beginning of Year	285,610	285,610	0	175,159	175,159	0	34,406	34,406	0	4,770	4,770	0	499,945	499,945	0
Prior year enc. Appropriated	48,016	48,016	0	29,529	29,529	0	0	0	0	0	0	0	68,545	68,545	0
Fund Balance, End of Year	\$ 101,609	\$ 600,428	\$ 498,819	\$ 2,358	\$ 160,130	\$ 157,772	\$ 28,196	\$ 34,565	\$ 8,369	\$ 616	\$ 122,195	\$ 121,579	\$ 130,779	\$ 917,318	\$ 786,539

THE NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THE STATEMENT.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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.

A. Reporting Entity

The accompanying general-purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of voting majority of a legally separate organization and either the City's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to or impose a financial burden on the City. Based on the foregoing, the reporting entity of the City includes the following services: public safety, highways and streets, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

Based on the foregoing criteria, the following organization is not part of the City's reporting entity and is excluded from the financial statements:

Mentor Exempted Village School District - The members of the Board of Education of the School District (Board) are elected by the voters within the District. The Board is a body of politic and corporate, capable of suing, contracting, and possessing, acquiring and disposing of real property. The Board controls its own operations and budget.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the general-purpose financial statements. The following fund types and account groups are used by the City:

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION - (Continued)

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal, interest, and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The following are the City's fiduciary fund types:

Expendable Trust Fund - This fund is accounted for and reported similarly to governmental funds.

Agency Funds - These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION - (Continued)

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all general fixed assets of the City.

General Long-Term Obligation Account Group - This account group is established to account for all unmatured long-term indebtedness of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the GASB and other recognized authoritative sources.

A. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

All governmental funds, expendable trust fund and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the account period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

CITY OF MENTOR-ON-THE-LAKE

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current period or within thirty days thereafter): investment earnings, state-levied locally shared taxes (including motor vehicle license fees and gasoline tax) fines and forfeitures, income taxes withheld by employers, and reimbursements due from state funded projects for which corresponding expenditures have been made.

Current and delinquent property taxes measurable as of December 31, 1999 whose availability is indeterminate, and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue as more fully described later in Note 6.

Levied special assessments are measurable, and have therefore been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

C. Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded for unmatured principal and interest on general and special assessment long-term debt, which are recognized when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgetary Process

The budgetary process is prescribed by provision 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 appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendments throughout the year.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level for the General Fund, activity level for the following Special Revenue funds: Police Pension Fund, Police Levy Fund, Fire Levy Fund, Safety Forces Fund, Street Maintenance Fund and State Highway Fund, all other funds are budgeted at the fund level. Budgetary modifications may only be made by ordinance of the City Council.

1. Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year 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 20th of each year, for the period January 1 to December 31 of the following year.

2. 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 Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process the City receives an official certificate of estimated resources which states the projected receipts by 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 any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

CITY OF MENTOR-ON-THE-LAKE

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and object within a fund may be modified during the year by an ordinance of City Council.

The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Non-GAAP Budgetary Basis - All Governmental Fund Types are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures, are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Encumbrances outstanding at year-end are reported as a reserve of fund balance for subsequent year expenditures in the accompanying general-purpose financial statements. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year.

CITY OF MENTOR-ON-THE-LAKE

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a budgetary basis of accounting instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance (GAAP basis) for governmental funds.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the governmental funds:

*Excess (Deficiency) of Revenues and Other Sources
Over Expenditures and Other Uses*

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
GAAP Basis	\$ 340,119	\$ (46,092)	\$ 3,412	\$(170,341)
Net Adjustment for Revenue Accruals	(14,877)	10,139		1,769
Net Adjustment for Expenditure Accruals	(194,586)	(11,156)	(263,503)	(323,173)
Net Adjustment for Due to Other Financial Sources and Uses	22,468	7	260,250	402,250
Reserve for Encumbrances	<u>113,678</u>	<u>11,544</u>	<u> </u>	<u>206,920</u>
Budget Basis	<u>\$ 266,802</u>	<u>\$ (35,558)</u>	<u>\$ 159</u>	<u>\$ 117,425</u>

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Investments

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

During 1999 investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificate of deposits.

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

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 share price which is the price the investment could be sold for on December 31, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 1999 totaled \$36,499, which included \$2,573 assigned from other funds of the City.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. Fixed Assets and Depreciation

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage system and lighting system, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

The City has elected not to record depreciation in the General Fixed Asset Account Group. Only fixed assets valued at \$250 and over are recognized.

G. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	General Bond Retirement
Special Assessment Bonds	Special Assessment Fund
Bond Anticipation Notes	Capital Projects Fund
OPWC Notes	General Bond Retirement
Compensated Absences	Various Funds

H. Compensated Absences

The City implements the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." The City records a liability for vacation and compensation time benefits when the obligation is attributable to services previously rendered, the obligation relates to rights that are vested, or payment of the obligation is probable and the amount of the obligation can be reasonably determined. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that 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.

CITY OF MENTOR-ON-THE-LAKE

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For governmental funds, the portion of unpaid leave expected to be paid using current available financial resources is reported as an expenditure in the fund from which the individuals earning the leave are paid, with corresponding liability reflected in the account "Compensated Absences Payable". The long-term portion of the liability is reported in the General Long-Term Obligation Account Group.

I. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

J. Interfund Transaction

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The City did not have short-term interfund loans receivable or payable at December 31, 1999.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The City had no long-term advances receivable or payable at December 31, 1999.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specified future use. Fund balances are reserved for encumbrances, prepaid expenditures and debt service.

L. Intergovernmental Revenues

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receivables and revenues when the entitlement occurs (to the extent they are intended to finance the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

M. Estimates

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

N. Total Columns on Combined Financial Statements-Overview

Total columns on the Combined Statements-Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted account principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF MENTOR-ON-THE-LAKE

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The City has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," for its deferred compensation plans through the Ohio Public Employees Deferred Compensation Program, the Aetna Life Insurance and Annuity Company, and the Equitable Financial Companies Deferred Compensation Plan. In 1999, the Public Employees Deferred Compensation Program, the Aetna Life Insurance and Annuity Company and the Equitable Financial Companies Deferred Compensation and created trusts for the assets of their respective plans for which the City has no fiduciary responsibility. At December 31, 1999, the balance of these Deferred Compensation Programs is \$317,085.

B. Deficit Fund Balances

Fund balances at December 31, 1999 included the following fund deficits:

	<u>Deficit Balance</u>
<u>Capital Projects</u>	
Library Branch	\$(199,903)
OPWC-99/Reynolds Road	<u>(216,287)</u>
Total	<u>\$(416,190)</u>

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit balance in the Capital Projects fund is due to the recording of the bond anticipation note as a fund liability for GAAP purposes.

C. Compliance

The following fund had expenditures plus outstanding encumbrances in excess of appropriations for the year ended December 31, 1999 in noncompliance with Ohio Revised Code Section 5705.41 (B).

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Outstanding Encumbrances plus Expenditures</u>	<u>Excess</u>
<u>CAPITAL PROJECTS FUND:</u>			
OPWC-99/Reynolds Road	\$905,000	\$926,503	\$21,503

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classifications of funds held by the City into three categories.

Category 1 consists of active funds - those funds required to be kept in a cash or cash equivalent status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of inactive funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of interim funds - those funds that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

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 or 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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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, village, county, township, or other political subdivision of this State, as to which there is no default principal, interest or coupons;
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 Treasurer 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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.
- Category 3 - Uncollateralized

Investments:

- Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

A. Deposits

At year-end the carrying amount of the City's Deposits were \$644,503 and the bank balance was \$652,903. Of the bank balance:

- (1) \$182,903 was covered by federal depository insurance; and
- (2) \$470,000 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

B. Investments

Investments in the STAR Ohio are not evidenced by securities that exist in physical or book entry form and therefore, are not categorized as to the level of risk assumed by the City. The City's investments at December 31, 1999 are summarized below:

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS - (Continued)

	<u>Carrying Amount</u>	<u>Market Value</u>
STAR Ohio	<u>\$632,258</u>	<u>\$632,258</u>
Total Investments	<u>\$632,258</u>	<u>\$632,258</u>

A reconciliation between the classifications of pooled cash and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Equity with City</u>	<u>Investments</u>
Per Combined Balance Sheet	\$ 1,276,761	\$ 0
Reclassifications:		
State Treasurer's Investment Pool	<u>(632,258)</u>	<u>632,258</u>
Per GASB Statement No. 3	<u>\$ 644,503</u>	<u>\$632,258</u>

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) are collected in one calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the county auditor at 35% of appraised market value. All property is required to be reappraised every three years. The last reappraisal was completed in 1997. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - TAXES - (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for advalorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30, with the remainder payable by September 20.

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. Certain public utility tangible personal property is currently assessed at 88% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Mentor-On-The-Lake. 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, 1999, was \$24.00 per \$1,000 of assessed value. The assessed value for 1998 was \$99,668,777. This amount constitutes \$93,937,610 in real property assessed value, \$3,980,010 in public utility assessed value and \$1,751,157 in tangible personal property assessed value.

B. Income Tax

The City levies a tax of 2% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes to residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee's compensation and remit the tax to the City either monthly or quarterly. Corporation and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenue is reported to the extent that it was measurable and available to finance current operations at December 31. Income tax revenue for 1999 was \$699,357.

CITY OF MENTOR-ON-THE-LAKE

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 6 - RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, interest, accounts receivable, special assessments and intergovernmental receivables. All receivables are considered collectible.

The following is a summary of principal items that were receivable at December 31:

<u>Fund Type/Fund</u>	<u>Amounts</u>
<i>General Fund</i>	
Income Tax	\$ 41,591
Property Tax	205,128
Other	22,864
Total General Fund	\$ 269,583
<i>Special Revenue Funds</i>	
Police Pension Fund	
Property Tax	\$ 29,304
Police Levy Fund	
Property Tax	294,766
Fire Levy Fund	
Property Tax	370,558
Street Maintenance Fund	
Other Tax	15,502
State Highway Fund	
Other Tax	1,327
Safety Forces Levy Fund	
Property Tax	439,558
Total Special Revenue Funds	\$1,151,015
<i>Debt Service Funds</i>	
General Obligation Bond Retirement Fund	
Property Tax	\$ 58,606
Lakeway Special Assessment Fund	
Special Assessments	73,817
Total Debt Service Funds	\$ 132,423

CITY OF MENTOR-ON-THE-LAKE

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 6 - RECEIVABLES - (Continued)

<u>Fund Type/Fund</u>	<u>Amounts</u>
<i>Capital Projects Funds</i>	
OPWC 93- Salida Road Accounts	\$ 16,900
Total Capital Projects Funds	\$ 16,900
Grand Total	<u>\$1,569,921</u>

NOTE 7 - INTERFUND TRANSACTIONS

Following is a summary of operating transfers in and out for all funds for 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$80,380
Special Revenue Funds:		
ODNR-Fishing	\$ 500	
Debt Service Fund:		
General Bond Retirement	19,630	
Capital Fund:		
OPWC 93/Salida Rd.	29,180	
Library Fund	<u>31,070</u>	
TOTAL	<u>\$80,380</u>	<u>\$80,380</u>

NOTE 8 - FIXED ASSETS

General Fixed Assets - Summary by category of changes in general fixed assets:

<u>Category</u>	<u>December 31, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 1999</u>
Land	\$ 357,067	\$ 30,170		\$ 387,237
Buildings	600,100			600,100
Machinery and Equipment	528,209	89,444	\$(25,724)	591,929
Furniture and Fixtures	28,384			28,384
Vehicles	933,317	42,253	(33,706)	941,864
TOTAL	<u>\$2,447,077</u>	<u>\$161,867</u>	<u>\$(59,430)</u>	<u>\$2,549,514</u>

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. The PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion used to fund health care for 1999. The City's contributions for pension obligations to the PERS for the years ended December 31, 1999, 1998 and 1997 were \$113,824, \$104,013 and \$106,359.

B. Police and Fireman's Disability Pension Fund

Full-time uniformed employees of the City participate in the Police and Fireman's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple employer defined benefit pension plan. The PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by Ohio State Legislature and are codified by Ohio Revised Code Chapter 742. The PFDPF issues a publicly available financial report that includes financial statements and required supplementary information for the PFDPF. That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions for pension obligations to the PFDPF for the years ended December 31, 1999, 1998, and 1997 were \$153,571, \$133,529 and \$158,898, respectively.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)

During Fiscal year 1999, the Police and Firemen's Disability and Pension Fund offered a discounted payoff program for the City's outstanding accrued liability. At the end of December 31, 1998, the City had an unfunded liability of \$33,047. On August 13, 1999, the City exercised the discount payoff option whereby the outstanding liability balance was reduced by 32% leaving a payoff amount of \$22,685 which was paid in full. Therefore, there is no longer a pension liability shown in the General Long-Term Obligations Account Group.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Public Employees Retirement System

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate for local employers was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care. The law enforcement employer rate for 1999 was 16.70% of covered payroll; 4.2% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$523 million. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9.8 billion. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS –
(Continued)**

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 1999, Comprehensive Annual Financial Report.

B. Police and Fireman's Disability Pension Fund

The PFDPF provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers." The Ohio Revised Code provides that health care cost paid from the funds of the PFDPF shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. Health care funding and accounting is on a pay-as-you-go basis. Currently, 6.5% of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, are 11,424 for police officers and 9,186 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$41,340 and 11,218, respectively. The PFDPF's total health care expenses for the year ending December 31, 1998, were \$78.596 million.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 11 - 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 or The Equitable Financial Companies Deferred Compensation Plan, 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 on the paycheck for the period in which it was earned, or it may be taken in the form of compensatory time, not to exceed one week of their normal work schedule for non-union employees, 48 hours for union employees and 60 hours for full-time firemen.

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 accrued vacation and compensatory time is paid.

The current portion of unpaid compensated absences, for governmental funds, are recorded as a current liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group.

CITY OF MENTOR-ON-THE-LAKE

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 12 - LONG-TERM OBLIGATIONS

Long-Term Obligations Account Group of the City as of December 31, 1999 were as follows:

<u>Classification</u>	<u>Interest Rate</u>	<u>Balance 12/31/98</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/99</u>
<u>Special Assessment Bond:</u>					
Lakeway Street Improvement - 1987	7.25%	<u>\$410,000</u>	<u>\$ 0</u>	<u>\$ (50,000)</u>	<u>\$360,000</u>
<u>General Obligation Bond:</u>					
Fire Department Equipment - 1993	5.9%	<u>\$225,000</u>	<u>0</u>	<u>\$ (45,000)</u>	<u>\$180,000</u>
<u>Notes:</u>					
1996 15 year OPWC - 93 (Salida Rd.)	0%	\$ 132,198	0	(11,017)	\$ 121,181
1996 20 year OPWC - 94 (Harbor Creek)	0%	150,621	0	(8,608)	142,013
1999 20 year OPWC - 99 (Reynolds Rd.)	0%	<u>0</u>	<u>121,901</u>	<u>0</u>	<u>121,901</u>
Total Notes		<u>\$ 282,819</u>	<u>\$121,901</u>	<u>\$ (19,625)</u>	<u>\$ 385,095</u>
<u>Other Long-Term Obligations:</u>					
Pension Obligations	N/A	33,300	37,090	(33,300)	37,090
Police and Firemens Accrued Liability	N/A	33,047	0	(33,047)	0
Compensated Absences	N/A	<u>109,796</u>	<u>9,722</u>	<u>0</u>	<u>119,518</u>
Total Other Long-Term Obligations		<u>176,143</u>	<u>46,812</u>	<u>(66,347)</u>	<u>156,608</u>
Total General Long-Term Obligations		<u>\$1,093,962</u>	<u>\$168,713</u>	<u>\$(180,972)</u>	<u>\$1,081,703</u>

CITY OF MENTOR-ON-THE-LAKE

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire long-term bond obligations and notes outstanding at December 31, 1999 are as follows:

Year	Special Assessment		General Obligation Bond		OPWC Notes
	Principal	Interest	Principal	Interest	Principal
2000	\$ 50,000	\$ 26,100	\$ 45,000	\$10,620	\$ 19,624
2001	50,000	22,475	45,000	7,965	19,624
2002	50,000	18,850	45,000	5,310	19,624
2003 - 2007	210,000	38,788	45,000	2,655	98,118
2008 - 2012					76,085
2013 - 2016					30,119
Total	<u>\$360,000</u>	<u>\$106,213</u>	<u>\$180,000</u>	<u>\$26,550</u>	<u>\$263,194</u>

	Interest Rate	Balance 12/31/98	Additions	(Reductions)	Balance 12/31/99
Capital Projects:					
Various Purpose Improvements					
Bond Anticipation Note	3.85%	<u>\$250,000</u>	<u>\$685,000</u>	<u>\$(250,000)</u>	<u>\$685,000</u>

As of December 31, 1999, the 1999 OPWC - 99 Reynolds Road note had disbursements of \$121,901, full disbursement will take place in 2000 at which time a loan amortization repayment schedule will be compiled.

NOTE 13 - CONTINGENT LIABILITIES

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 is 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, 1999.

B. Litigation

The City was involved in no litigation as either plaintiff or defendant.

CITY OF MENTOR-ON-THE-LAKE

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 14 - 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 and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

City of Mentor-on-the-Lake participates in the Ohio Municipal League public risk pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald. 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.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable John Rogers, Mayor
and Members of Council
City of Mentor-on-the-Lake
5860 Andrews Road
Mentor-on-the-Lake, Ohio 44060

We have audited the general-purpose financial statements of the City of Mentor-on-the-Lake as of and for the year ended December 31, 1999, and have issued our report thereon dated June 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Mentor-on-the-Lake's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-43-0786-04-001.

The Honorable John Rogers, Mayor
and Members of Council
City of Mentor-on-the-Lake
Page 2

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mentor-on-the-Lake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Council and management of the City of Mentor-on-the-Lake, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
June 8, 2000

**CITY OF MENTOR-ON-THE-LAKE
LAKE COUNTY, OHIO
DECEMBER 31, 1999**

SCHEDULE OF FINDINGS

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

<i>Finding Number</i>	1999-43-0786-04-001
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Ohio Revised Code Section 5705.41 (B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that for the year ended December 31, 1999 the City has expenditures plus encumbrances exceeding appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>CAPITAL PROJECTS FUND:</u>			
OPWC-99/Reynolds Road	\$905,000	\$926,503	\$21,503

With expenditures exceeding appropriations, the City is unlawfully expending monies that have not been appropriated.

We recommend that the City comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

By: Susan Babbitt

Date: JULY 13, 2000