

**Auditor of State
Betty Montgomery**

**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

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**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U. S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education.</i>						
<i>Nutrition Cluster:</i>						
Food Distribution	N/A	10.550	\$0	\$108,463	\$0	\$108,463
National School Lunch Program	LL-P4 03	10.555	95,802	0	95,802	0
National School Lunch Program	LL-P4 04	10.555	266,692	0	266,692	0
Fruit & Vegetable Pilot Program	VG-SI-03	10.555	30,820	0	28,189	0
Total National School Lunch Program			393,314	0	390,683	0
Total U. S. Department of Agriculture - Nutrition Cluster			393,314	108,463	390,683	108,463
U. S. Department of Education						
<i>Passed Through the Ohio Department of Education.</i>						
<i>Special Education Cluster:</i>						
Title VI B	6B-SD-03-P	84.027	34,877	0	49,597	0
Title VI B	6B-SF-03-P	84.027	472,061	0	478,776	0
Title VI B	6B-SF-04	84.027	853,704	0	775,004	0
Title VI B	6B-SD-04-P	84.027	22,723	0	22,723	0
Title VI B	6B-SI-02-P	84.027	(186)	0	0	0
Title VI B	6B-SA-04-P	84.027	10,000	0	773	0
Total Title VI B			1,393,179	0	1,326,873	0
Preschool Grant	PG-SI-03-P	84.173	24,093	0	24,834	0
Preschool Grant	PG-SI-04	84.173	47,054	0	34,184	0
Preschool Grant	PG-DF-04-P	84.173	4,300	0	0	0
Total Preschool Grant			75,447	0	59,018	0
Total Special Education Cluster			1,468,626	0	1,385,891	0
Title I	C1-S1-03	84.010	109,306	0	112,351	0
Title I	C1-S1-04	84.010	328,128	0	316,592	0
Total Title I			437,434	0	428,943	0
Vocation Education Basic Grant	CDP-III-S03	84.048	197,551	0	163,562	0
Vocation Education Basic Grant	CDP-III-S04	84.048	316,763	0	247,999	0
Total Vocational Education Basic Grant			514,314	0	411,561	0
Title V (Innovative Education)	C2-S1-03	84.298	16,530	0	17,525	0
Title V (Innovative Education)	C2-S1-04	84.298	89,148	0	84,001	0
Total Title V (Innovative Education)			105,678	0	101,526	0
Drug Free School Grant	DR-SI-03	84.186	2,563	0	4,461	0
Drug Free School Grant	DR-S1-04	84.186	30,962	0	30,962	0
Total Drug Free School Grant			33,525	0	35,423	0
Technology Literacy Challenge Funds	TJ-S1-03	84.318	1,497	0	746	0
Technology Literacy Challenge Funds	TJ-SI-04	84.318	4,374	0	3,923	0
Total Technology Literacy Challenge Funds			5,871	0	4,669	0
Comprehensive Reform School Grant	RF-S3-02	84.332	8,769	0	12,446	0
Comprehensive Reform School Grant	RF-S2-03	84.332	34,000	0	26,043	0
Total Comprehensive Reform School Grant			42,769	0	38,489	0
School Renovation Grant	AT-S3-02	84.352A	(2,475)	0	4,154	0
Total School Renovation Grant			(2,475)	0	4,154	0
English Language Acquisition Grant	T3-SI-03	84.365	12,199	0	11,979	0
English Language Acquisition Grant	T3-S1-04	84.365	12,871	0	12,871	0
English Language Acquisition Grant	T3-S2-04	84.365	13,950	0	12,678	0
Total English Language Acquisition Grant			39,020	0	37,528	0

**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Improving Teacher Quality State Grant	TR-S1-03	84.367	22,952	0	36,194	0
Improving Teacher Quality State Grant	TR-S1-04	84.367	312,215	0	301,226	0
Total Improving Teacher Quality State Grant			335,167	0	337,420	0
Total U. S. Department of Education			2,979,929	0	2,785,604	0
TOTAL FEDERAL ASSISTANCE			\$ 3,373,243	\$ 108,463	\$ 3,176,287	\$ 108,463

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local monies. It is assumed federal monies are expended first.

NOTE C – NEGATIVE RECEIPTS

The negative receipts for Title V1-B CFDA #84.027 in the amount of \$186, and School Renovation Grant CFDA #84.352A in the amount of \$2,475 represent amounts that were refunded to the State due to expiration of period of availability.

CFDA – Catalog of Federal Domestic Assistance

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Education
Mentor Exempted Village School District
Lake County
6451 Center Street
Mentor, Ohio 44060

We have audited the financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Mentor Exempted Village School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 7, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the 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 over financial reporting 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated February 7, 2005.

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Mentor Exempted Village School District
Lake County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 7, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Mentor Exempted Village School District
Lake County
6451 Center Street
Mentor, Ohio 44060

Compliance

We have audited the compliance of the Mentor Exempted Village School District, Lake County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards Receipts and Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2004, and have issued our report thereon dated February 7, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 7, 2005

**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A - §133 - §505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – CFDA# 10.550 and 10.555, Improving Teacher Quality State Grants – CFDA# 84.367, Vocational Education – CFDA# 84.048.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004
(Continued)**

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

* The comments with an asterisk (*) denote comments which were previously brought to management's attention for the fiscal year ended June 30, 2003, in which no corrective action has been taken.

Finding Number	2004-001
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Certification of Availability of Appropriations

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifteen percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the District certify that funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004
(Continued)**

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

Finding Number	2004-001
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Certification of Funds (Continued)

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Finding Number	2004-002
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Expenditures Exceeded Appropriations *

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Board of Education may not exceed appropriations at the legal level for all funds. Ohio Rev. Code Section 5705.38(B) states a Board of Education shall pass its annual appropriation measure by the first day of October. If, by the first day of October, a board has not received either the amended certificates of estimated resources required by Rev. Code Section 5705.36(B) or certifications that no amended certificates need be issued, the adoption of the annual appropriation measure shall be delayed until the amended certificates or certifications are received. Prior to the passage of the annual appropriation measure, the board may pass a temporary appropriation measure for meeting the ordinary expenses of the district until it passes an annual appropriation measure, and appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The District passed permanent appropriations for all other funds on October 28, 2003 and passed temporary appropriations for the General Fund on November 25, 2003. The final appropriations were passed on June 14, 2004. The following funds, which were corrected at year end, had expenditures in excess of appropriations and expenditures plus encumbrances in excess of appropriations as of November 30, 2003 for the General Fund and October 31, 2003 for all other funds.

	Expenditures/Expenses		
	Plus		
	<u>Encumbrances</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$ 37,158,859	\$ 1,943,313	\$ 35,215,546
Special Revenue Funds:			
Other Grants	365,335	1,976	363,359
Athletics	141,810	88,460	53,350
SchoolNet Professional	5,593	2,455	3,138
Ohio Reads Volunteer	52,820	46,639	6,181
Miscellaneous State Grant	17,670	8,445	9,225
Title VI-B	641,707	484,572	157,135
Vocational Educational Grant	170,418	156,360	14,058
LEP/Immigrant	11,979	11,755	224
Title I	201,459	83,175	118,284
Title V	20,226	17,603	2,623
Preschool Grant	31,416	25,621	5,795
E-Rate Reimbursement	944	0	944
Reduction in Class Size	95,258	16,364	78,894
Miscellaneous Federal Grant	7,376	3,840	3,536
Auxiliary Service	148,399	110,969	37,430
Debt Service Fund:			
Bond Retirement	12,688	0	12,688

**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004
(Continued)**

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

Finding Number	2004-002
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Expenditures Exceeded Appropriations (Continued)

	Expenditures/Expenses Plus	Appropriations	Excess
	<u>Encumbrances</u>		
Capital Projects Funds:			
Permanent Improvement	\$ 498,865	\$ 205,858	\$ 293,007
Building	913,678	0	913,678
SchoolNet	55,335	0	55,335
Enterprise Funds:			
Food Service	584,785	32,643	552,142
Summer School	109,237	11,980	97,257
Adult Education	5,080	0	5,080
Uniform Supply	97,299	85,563	11,736
Performing Arts	40,000	0	40,000
Internal Service Fund:			
Rotary	2,000,397	1,769,191	231,206
Fiduciary Funds:			
Insurance Consortium	8,379,570	775,531	7,604,039

We recommend the District pass temporary and permanent appropriations timely and update and review on a monthly basis their appropriation ordinance prior to making encumbrances or expenditures.

Finding Number	2004-003
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Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 provides, in part, that total appropriations made during the fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources.

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(3) requires that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36(A)(4) requires that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. Ohio Rev. Code Section 5705.36(A)(5) provides that the amended certificate of estimated resources certified prior to making the appropriation from each fund, should not exceed the total estimated revenue.

At June 30, 2004, the District's General Fund had appropriations which exceeded the Amended Certificate of Estimated Resources in the amount of \$2,000,000. The District reported to the Lake County Budget Commission a June 30, 2003 unencumbered balance that included \$3,000,000 received in July 2003.

We recommend the District monitor appropriations and amend the certificate of estimated resources to ensure that appropriations do not exceed estimated resources. The District should verify the unencumbered balance is reported accurately to the County.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2003-001	ORC 5705.41 (B),(D) Expenditures exceeding Appropriation	No	Not Corrected, reissued as 2004-002
2003-002	ORC 133.10 (H)(I) Appropriation of proceeds received from Tax Anticipation notes in the proper period.	Yes	Corrective Action Taken
2003-003	ORC 5705.10 Negative Fund Balances	Yes	Corrective Action Taken
2003-004	ORC 5705.391(B) Updating of Five-Year Projection	Yes	Corrective Action Taken
2003-005	Monitoring of controls for the Consortium's funds.	Yes	Finding No Longer Valid

**Mentor Exempted Village School
District
Mentor, Ohio**

**Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2004**

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Mentor Exempted Village School District

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2004

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Mentor Exempted Village School District

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2004

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Mentor Exempted Village School District

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2004

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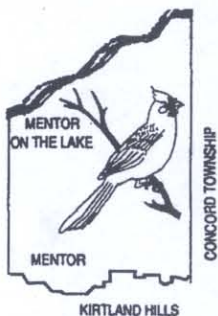
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Mentor Exempted Village School District

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2004

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Mentor Public Schools
COMMITTED TO EXCELLENCE

Mentor Public Schools

Helen H. "Sue" Osborn Administration Building

6451 Center Street • Mentor, Ohio 44060 • 440-255-4444 / FAX 440-255-4622

JACQUELINE A. HOYNES, Ph.D.
SUPERINTENDENT

DANIEL L. WILSON
CHIEF FINANCIAL OFFICER

BOARD OF EDUCATION

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WILLIAM J. SHAW, MEMBER

ANDREW J. SPARACIA, MEMBER

February 7, 2005

Board of Education and Residents of Mentor Exempted Village School District:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Mentor Exempted Village School District for the fiscal year ended June 30, 2004.

This CAFR, which includes an opinion from the Auditor of State and conforms to generally accepted accounting principles as applicable to governmental entities. This official report will provide the taxpayers of Mentor Exempted Village School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs. Copies will be made available to the Mentor Chamber of Commerce, the Mentor Public Library, major taxpayers, financial rating services and other interested parties.

Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the School District.

The Comprehensive Annual Financial Report is presented in the following three sections:

The Introductory Section includes a Title Page, Table of Contents, Letter of Transmittal, List of Principal Officials and an Organizational Chart of the School District.

The Financial Section begins with the Independent Accountants' Report, and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the School District's financial position and operating results, the Combining Statements for Fund Types and other schedules that provide detailed information relative to the Basic Financial Statements.

The Statistical Section includes social and economic data, financial trends, School District data and the fiscal capacity of Mentor Exempted Village School District.

Educating Students from Mentor, Mentor on the Lake, Concord Township, Kirtland Hills.

Reporting Entity

The School District has reviewed its reporting entity definition in order to ensure conformance with the Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity.” In evaluating how to define the School District for financial reporting purposes, management has considered all agencies, departments and organizations making up Mentor Exempted Village School District (the primary government) and its potential component units.

The City of Mentor, the City of Mentor-on-the-Lake, the Village of Kirtland Hills, the Township of Concord, the Township of Chardon and the Parent Teacher Association have not been included in the accompanying financial statements. The boards are not appointed by the School District, nor are they fiscally dependent on the School District.

The District’s Board of Education also serves as the statutory overseer of the Mentor Public Library (the Library). As provided by Ohio Law, the Board of Education appoints trustees to the Library and approves the Library’s annual tax budget; however, the District is not financially accountable for the activities of the Library. Furthermore, the District has only ministerial approval of the Library’s tax budget and cannot amend the budget. The trustees are charged with the responsibility to manage the Library’s overall operations; the Library’s financial position is not included in this report. The Library is considered a related organization whose relationship with the School District is described in Note 21 to the basic financial statements.

The School District participates in the Lake-Geauga Computer Association, the Ohio Schools Council, the East Shore Regional Transportation System, the East Shore Center and the Health Care Benefits Program of Lake County School Council. These are jointly governed organizations whose relationship with the School District is described in Note 17 to the basic financial statements. A complete discussion of the School District’s reporting entity is provided in Note 2 to the basic financial statements.

School District Organization

The Mentor Exempted Village School District is the eighteenth largest of the 612 school districts in the State of Ohio and the largest of nine school districts in Lake County. The School District provides education to 9,626 students in grades kindergarten through twelve. Additionally, the School District provides preschool and after school services to a number of students. The Mentor Exempted Village School District is located in northeastern Ohio, approximately twenty-five miles east of downtown Cleveland.

The Mentor Exempted Village School District serves the communities of Mentor, Mentor-on-the-Lake, and portions of the Village of Kirtland Hills, Chardon Township and Concord Township. The School District operates one high school, three junior high schools, and twelve elementary schools.

Statutorily, the School District operates under the standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 of the Ohio Revised Code, to provide education services prescribed by State and/or Federal agencies. The Board of Education is made up of five members elected at large, for overlapping four-year terms. The Board of Education elects its President and Vice President annually, and appoints two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

Kindergarten The School District operates a two and one-half day kindergarten program in twelve elementary school buildings. These programs are designed to prepare children for school, to develop social skills and to promote the foundation for future learning. The School District will be piloting an all day kindergarten program at one elementary school for the 2004-2005 school year.

Elementary The elementary school program provides students with exposure to reading, language arts, mathematics, science, social studies, health, music, art and physical education. Basic skill development is the key, and problem solving has been a focus in mathematics instruction. Science is hands-on in the Schools' twelve elementary schools, and manipulatives are used extensively in the math classes. Currently, the elementary schools service students in kindergarten through grade six. Three of these schools also receive reading intervention services through Title I staff members. Members of the Central Office staff have been challenged by the Superintendent to volunteer approximately one hour a week as Ohio Reads Volunteers at a school of their choice within the School District.

Junior High School Serving students in grades seven through nine, the three junior high schools offer an extension and continuation of the skill building work done at the elementary level by stressing student achievement in the core academic subjects of English, mathematics, science and social studies. Exploratory reading, keyboarding, exploratory languages and exploratory technology are also required courses depending upon a student's grade level. Electives are offered in music and art. Our junior high schools also continue to offer a full extracurricular program of sports, clubs, and service groups. Students excel in all areas and benefit from a well-rounded preparation that allows them to be successful at the high school and beyond.

High School The School District has one comprehensive high school serving over 2,400 students in grades ten through twelve. It is accredited by the North Central Association of Colleges and Schools and by the Ohio Board of Education. Students select from a wide array of courses and electives from basic academic core subjects to advanced placement coursework, which offer the student the opportunity to do college level work. The Career Technical Program also offers the opportunity for students to pursue career objectives while in high school including the opportunity to earn college credit through the completion of college courses. Mentor High School continues to offer a full extracurricular program of sports, clubs and service groups. Students excel in all areas and benefit from a well-rounded preparation that allows them to be successful in whatever career path they choose.

Additional Programs and Services

High School Athletics Mentor High School competes in the Lake Erie League. The high school qualifies for the highly competitive Division I classification. Fall, winter and spring varsity sports are available for students, including football, soccer, volleyball, track, cross country, basketball, baseball, softball, wrestling, tennis, golf, swimming, lacrosse and hockey. There are also ninth grade, junior varsity, and junior high school athletic programs offered. Cheerleading is offered at both levels.

Transportation The transportation policy of the Mentor Exempted Village School District exceeds the State's minimum standards and allows kindergarten through twelfth grade students, who live more than 1.5 miles from their schools to be transported. The School District maintains a fleet of buses for this purpose and has additional vehicles to transport physically challenged students. A computer program assigns students to the appropriate bus route. Parents and students are informed by mail of appropriate bus number, time and location of street pick-up to school and drop-off for the return trip home.

Certificated Staff The average experience of the certificated staff is 16.52 years and 77.0 percent of the teaching staff have at least a master's degree. Textbook authors, doctorates, nationally known speakers and recognized experts in specific fields of study are among the School District's teachers and administrators. A blend of experienced staff along with new teachers offers students of the Mentor Exempted Village School District one of the strongest faculties in the area.

Economic Condition and Outlook

The City of Mentor and the surrounding areas have a strong and stable economic base. In the last two decades homes have been constructed to accommodate the large number of families moving into Mentor out of the more heavily populated Cleveland area.

With major employers including the Steris Corporation, Lincoln Electric Corporation and PCC Airfoil, the area continues to flourish.

The involvement of local businesses and community groups in partnership with Mentor Exempted Village School District enhances the relationship between free enterprise and government entities.

Financial Update

The 2003-2004 fiscal year was a very trying time for the School District and the community. The sudden fiscal crisis of a \$20,000,000 current year deficit surfaced in the fall of 2003 and required \$3,000,000 of mid-year budget cuts combined with a \$17,000,000 Solvency Assistance Advance from the State of Ohio to balance the 2003-2004 budget. On March 3, 2004, the State's Financial Planning and Supervision Commission assumed control of the finances of the School District based on the Auditor of State's declaration of a fiscal emergency condition. Since that time, the Commission has been responsible for approving any expenditure of funds in excess of \$10,000, has approved a financial recovery plan which must be implemented, and must approve the annual budget, the five-year forecast, and any other major financial decision.

From the beginning, the School District moved aggressively to manage the crisis and developed a recovery strategy that included budget reductions and new revenue. The community demonstrated their strong support of public education by passing a 3 mill operating levy in November of 2003, and 7.9 mill, five-year emergency operating levy in August of 2004. In addition, the Board of Education approved the Phase I, Phase II and Phase III budget reductions as recommended by the Superintendent. The Board also approved interim collective bargaining agreements with the Mentor Teachers Association and the Mentor Classified Employees. Both agreements reduced salaries and benefits. In addition, the 2004-2005 scheduled salary increase for administrators was eliminated and the salaries for exempted employees were reduced similar to the collective bargaining groups. Also, the School District insurance committee composed of school district employees recommended, and the Board approved, reductions to the health insurance plan with a savings of over \$172,000 a year.

In the fall of 2003, Mr. Lowell B. Davis joined the School District as interim Treasurer. Mr. Davis brought with him over 35 years of successful public school district fiscal management experience. In March of 2004, Mr. Daniel L. Wilson joined the School District as the new Chief Financial Officer bringing with him 31 years of experience and having most recently served as the Associate Superintendent for School Finance and Accountability for the Ohio Department of Education.

The 2004-2005 school year began with 209.0 less full time equivalent employees. This represents a reduction of 10 administrators, which is a 22% reduction; a reduction of 129.5 teaching positions, which is an 18% reduction; and a reduction of 69.5 classified positions, which represents a 15% reduction.

With the active participation and strong support of our Superintendent and the Board of Education, the School District's strategy of combining budget cuts with new revenues provided by the community allowed the District to emerge from fiscal emergency on February 4, 2005. The District achieved the second fastest recovery in the history of the State's program.

The following is a summary of significant financial activities for the 2003-2004 fiscal year:

May 29, 2003	Updated Five-Year Forecast Filed with the Ohio Department of Education
June 26, 2003	\$5,000,000 Current Tax Revenue Anticipation Notes Issued to Mature June 26, 2004
July 9, 2003	\$3,000,000 Advance Against Second Half Real Estate Taxes Received and Booked as a June 30, 2003 Transaction
October 29, 2003	Request for the Auditor of State to Examine the Five-Year Forecast
November 4, 2003	3.0 Mill Operating Levy Approved
November 17, 2003	Updated Five-Year Forecast Approved and Filed with the Ohio Department of Education
	Discretionary Spending Reductions Implemented
	Phase I and Phase II Reductions Implemented
November 26, 2003	Cash flow borrowing of \$10,000,000 due June 15, 2004
December 30, 2003	\$2,480,000 Borrowed Against First Year Collections from November 3.0 Mill Levy Payable Over Five Years
January 12, 2004	Board of Education creates the Citizens Financial Advisory Committee
February 4, 2004	Auditor of State Declares a State of Fiscal Emergency
March 1, 2004	New Chief Financial Officer begins
March 2, 2004	7.9 Mill Five-Year Emergency Operating Levy Fails
March 3, 2004	Financial Planning and Supervision Commission Convenes
	Phase III Reductions Implemented
March 8, 2004	Mentor Classified Employees Interim Bargaining Agreement Ratified by Board of Education

March 18, 2004	First Citizens Financial Advisory Committee meeting
April 5, 2004	Mentor Teachers Association Interim Bargaining Agreement Ratified by Board of Education
April 5, 2004	7.9 Mill Five Year Emergency Operating Levy Placed on the August 3, 2004 Ballot
April 29, 2004	Lake County Healthcare Consortium Determines 2004-2005 Insurance Rates for Employee Health, Dental, Vision and Life Insurance
May 6, 2004	Presented updated 2003-2004 budget estimate and fiscal projections 2004-2005 through 2007-2008 to the Citizens Financial Advisory Committee
May 10, 2004	Presented updated 2003-2004 budget estimate and financial projects 2004-2005 through 2007-2008 to the Board of Education
	Center Street Village Elementary School authorized to be closed at the conclusion of the 2003-2004 school year by the Board of Education
	Changes to the Employees Health Insurance Plan design approved saving \$172,308 annually
May 19, 2004	Board of Education approves the updated 2003-2004 budget estimate and fiscal projections 2004-2005 through 2007-2008
June 22, 2004	Financial Planning and Supervision Commission approves the Financial Recovery Plan
June 30, 2004	Fiscal year 2003-2004 closes with a General Fund unencumbered balance of \$83,181
July-August 2004	Versatran computerized bus routing software installed
August 2004	Five Year Strategic Plan Update begun
August 3, 2004	7.9 mill five year \$15,015,997 emergency operating levy unofficially approved
August 16, 2004	7.9 mill levy officially approved
August 16, 2004, August 31, 2004 & September 13, 2004	64.5 teachers and 18 bus drivers recalled
September 13, 2004	\$7,000,000 five year tax anticipation notes authorized by the Board of Education
	Withdrawal from the Lake County Schools Council Health Care Benefits Program Authorized

September 23, 2004	Presentation and adoption of 2004-2005 Budget by the Board of Education
September 27, 2004	Ratification of the 2004-2005 Budget by the Financial Planning and Supervision Commission
October 19, 2004	Review of Fiscal Projections and Assumptions by the Citizens Financial Advisory Committee
October 21, 2004	Adoption of Fiscal Projections and Assumptions by the Board of Education
January 11, 2005	Insurance Committee begins to analyze bid information for health, dental and vision insurance
January 11, 2005	Board of Education re-employs Superintendent for three years
February 4, 2005	The Auditor of State releases the District from Fiscal Emergency and the Financial Planning and Supervision Commission disbands.

Throughout fiscal year 2003-2004, fiscal management procedures have focused on restoring fiscal stability. The District plans on restoring fiscal stability by eliminating unplanned operating fund deficits by managing to the following plans:

- Financial Recovery Plan
- Five Year Budget Plan
- District Strategic Plan
- Capital Repair Plan
- Continuous Improvement Plan
- Enrollment Projections
- Auditor of State Performance Audit

Looking forward, several major fiscal concerns are facing the School District. The first is the impact of school funding reform in the State of Ohio. The second is the continued rapid escalation of the cost of Special Education programming. The third is the concern over the rapidly escalating cost of health care insurance. The following are major open issues that were identified in the 2004-2005 budget:

- Evaluate and respond to the Auditor of State's Performance Audit
- Evaluate and respond to the Auditor of State's Accounting Methods Report
- Gain release from fiscal emergency and the State's Financial Planning and Supervision Commission
- Update the Five Year Forecast
- Manage projected changes in student enrollment
- Complete the withdrawal from the Lake County Schools Council Health Care Benefits Program
- Continue to develop and implement an enhanced Financial Management Reporting System
- Develop a Capital Spending Plan that supports the School District's strategic plan
- Develop a Technology Spending Plan that supports the School District's strategic plan

Financial Information

Internal Accounting and Budgetary Control The School District's accounting system is organized on a "fund" basis. Each fund (and account group) is a distinct self-balancing accounting entity. Reports for governmental fund operations are presented on the modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized when goods and services are received. Reports of the School District's proprietary fund operations are presented on the accrual basis whereby revenues are recognized when earned and expenses when incurred.

In developing the School District's accounting system much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The School District utilizes a fully automated accounting system as well as an automated system of control for payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensures that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the Board of Education adopts a temporary appropriation measure for that fiscal year. By statute, permanent appropriations must be adopted upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates. The School District is required to adopt the permanent appropriations in September.

Annual appropriations may not exceed the County Budget Commission's official estimate of resources. The County Auditor must certify that the Board of Education's appropriation measures, including any supplements or amendments, do not exceed the amount set forth in the latest of those official estimates.

All disbursements and transfers of cash between funds require appropriation authority from the Board. Budgets are controlled at the fund level. All purchase order requests must be approved by the site administrator, a central office administrator, and certified by the Treasurer, necessary funds are then encumbered and purchase orders released to vendors. Those requests which exceed the available appropriation are rejected until additional appropriations are secured.

Each administrator and school principal is furnished monthly reports showing the status of the budget accounts for which they are responsible. In addition, an online inquiry system is available at each cost center site. As an additional safeguard, all employees are covered by a blanket bond and certain individuals in policy-making roles are covered by a separate, higher limit bond.

The basis of accounting and the various funds and account groups utilized by Mentor Exempted Village School District are fully described in Note 2 of the financial statements. Additional information on the School District's budgetary accounting can also be found in Note 2.

Financial Condition This is the second year the School District has prepared financial statements following GASB 34, “Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments.” GASB 34 creates new basic financial statements for reporting on the School District’s financial activities as follows:

Government-wide financial statements These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

Fund financial statements These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented, in total, in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statements of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this new reporting model, management is responsible for preparing a Management Discussion and Analysis of the School District. This discussion is presented in the financial section of this report and provides an assessment of the School District finances for 2003-2004.

Cash Management

Cash management is a vital component in the School District’s overall financial strategy. Cash not needed for immediate use during the fiscal year was invested in STAROhio, Certificates of Deposit, and repurchase agreements. STAROhio is a statewide investment pool offered to political subdivisions of the State of Ohio as a conservative means of investing in a portfolio of investment instruments.

Protection of the School District’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as by qualified securities pledged by the institution holding the assets. By law financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must be equal to at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Risk Management

The School District participates in the State Workers’ Compensation plan and pays the premium based on a rate per \$100 of salaries. The School District is a member of Ohio Schools Board Association Workers’ Compensation Group Rating Program.

For fiscal year 2004, the School District contracted with Indiana Insurance Company for property and casualty insurance. There is a \$5,000 deductible with a one hundred percent blanket, all risk policy.

The Indiana Insurance Company provides general liability protection with a \$2,000,000 aggregate and no deductible. Indiana Insurance Company also provides a \$5,000,000 umbrella/excess liability policy. Vehicles are covered by Indiana Insurance Company and hold a \$500 comprehensive and \$500 collision deductible. Automobile liability has a \$1,000,000 liability limit per accident.

Indiana Insurance Company protects school leaders' errors and omissions with a \$1,000,000 annual aggregate and \$1,000 deductible per occurrence.

Pension Plans

All School District employees are covered by the state-wide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System (STRS). The School District's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the School District to pay the employer share as determined by each retirement system. See Notes 11 and 12 to the basic financial statements for complete details.

Independent Audit

Ohio Revised Code requires that the School District be subjected to an annual examination by an independent auditor. Independent auditor, Betty Montgomery, Auditor of State, was selected to render an opinion on the School District's financial statements as of and for the year ended June 30, 2004. An annual audit serves to maintain and strengthen the School District's accounting and budgetary controls. Pursuant to statute, the State prescribed a uniform accounting system to standardize accounting classification and financial reporting for all governments in Ohio. The School District adopted and has been in conformance with that system. The opinion appears at the beginning of the financial section.

Awards

GFOA Certificate of Achievement The Government Finance Officers Association in the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the year ended June 30, 2002. This was the tenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Association of School Business Officials International (ASBO) also awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the year ended June 30, 2002. The Association's Panel of Review judged that the District's report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program. This certificate is awarded upon recommendation of the Association's Panel of Review and is valid for a period of one year only.

It should be noted that the District did not prepare a CAFR for the year ended June 30, 2003, therefore did not receive a GFOA Certificate of Achievement or an ASBO Certificate of Excellence in 2003.


Acknowledgments


The publication of this CAFR represents an important achievement in the ability of the School District to provide significantly enhanced financial information and accountability to the taxpayers of the Mentor Exempted Village School District, its elected officials, management, staff and investors. This report is a continuation of the efforts of the Treasurer's Office to improve overall financial accounting, management and reporting capabilities.

The accomplishment of this report would not have been made possible without the assistance, support and efforts of the Treasurer's Office employees, particularly Assistant Treasurer Marie Schenkel, various administrators, employees of the School District, Ciuni and Panichi, Inc., and the Local Government Services division of Auditor of State Betty Montgomery's office. Assistance from the County Auditor's office staff and outside agencies made possible the fair presentation of statistical data.

Sincere appreciation is extended to the Board of Education, where the commitment to improved financial management and reporting begins.

Respectfully submitted,


Daniel L. Wilson, Chief Financial Officer


Jacqueline A. Hoynes, Ph.D., Superintendent

Mentor Exempted Village School District

Principal Officials

As of June 30, 2004

MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT

Elected Officials

Board of Education

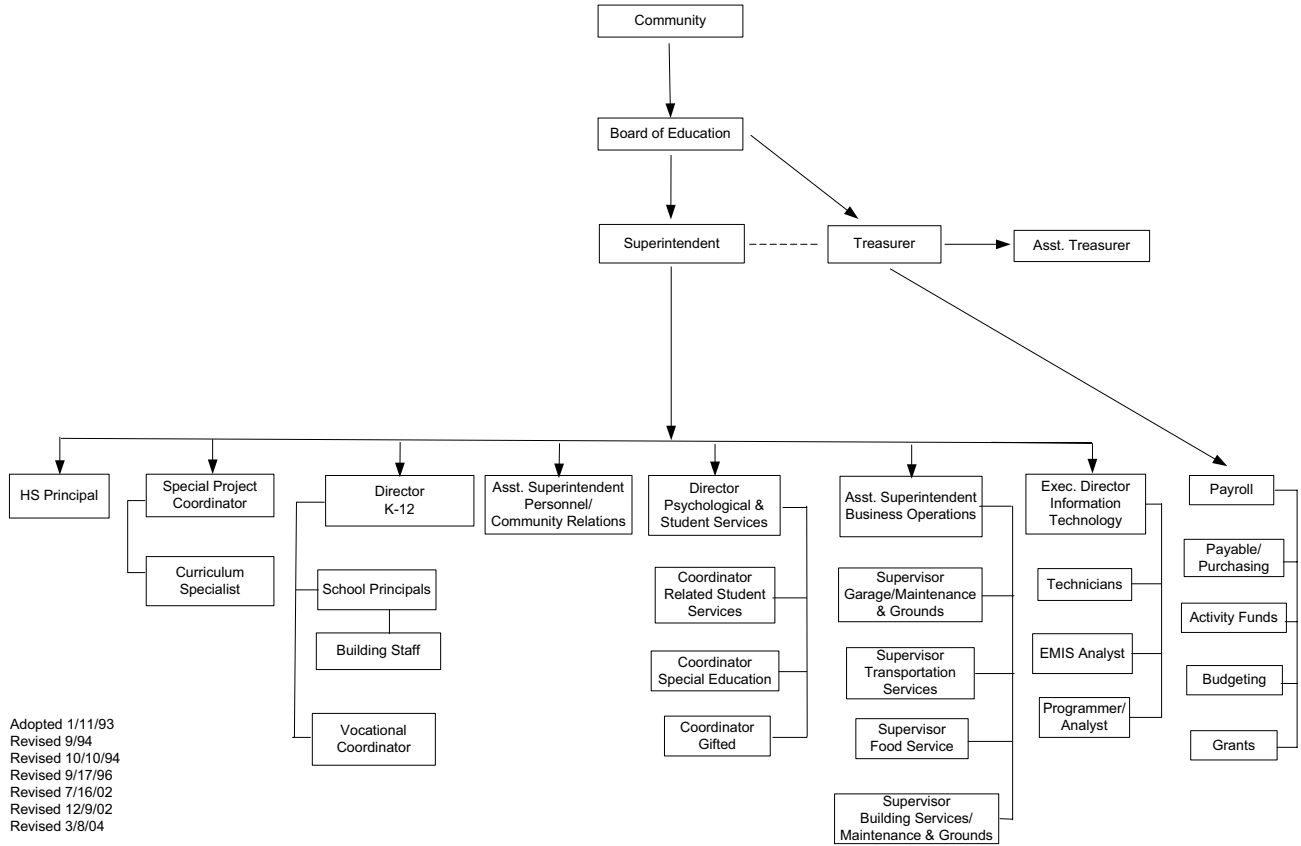
Mrs. Charleen Gawronski	President
Mr. Arthur Kless	Vice-President
Mr. Alan Mihok	Member
Mr. Andrew Sparacia	Member
Mrs. Gwen Corban	Member

Appointed Officials

Dr. Jacqueline Hoynes	Superintendent
Mr. Daniel L. Wilson	CFO

Mentor Exempted Village School District

Organizational Chart





Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Mentor Exempted Village School District
Lake County
6451 Center Street
Mentor, Ohio 44060

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Mentor Exempted Village School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the Mentor Exempted Village School District, Lake County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund statements and schedules and statistical statements are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 7, 2005

Mentor Exempted Village School District

Management's Discussion & Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2004

Our discussion and analysis of the Mentor Exempted Village School District's (the "District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, notes to the basic financial statements and the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

In total, net assets decreased \$11,793,607. Net assets of governmental activities decreased \$11,583,306, which represents a 122.95% decrease from 2003. Net assets of business-type activities decreased \$210,301 or 28.41% from 2003.

General revenues accounted for \$79,670,395 in revenue or 88.48% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$10,371,785 or 11.52% of total revenues of \$90,042,180.

The School District had \$98,485,232 in expenses related to governmental activities; only \$7,268,928 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$79,632,998 were unable to provide for these programs resulting in an decrease to net assets from (\$9,420,783) to (\$21,004,089).

The School District had \$3,350,555 in expenses related to business-type activities; a total of \$3,102,857 was offset by program specific charges for services, grants and contributions. General revenues include interest earnings of \$1,173. Total revenues were not adequate to provide for these programs by (\$210,301) resulting in a decrease to net assets from \$740,144 to \$529,843.

The School District's major governmental fund was the General Fund. The General Fund had \$97,257,304 in revenues and other financing sources and \$87,359,728 in expenditures and other financing uses. The General Fund's fund increased \$9,897,576 from (\$11,832,789) to (\$1,935,213).

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the School District'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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of the School District, the General Fund is by far the most significant fund and is the only fund reported as a major fund.

Mentor Exempted Village School District

Management's Discussion & Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2004

Reporting the School District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at his or her conclusion regarding the overall health of the School District.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The School District's food service, uniform school supplies, adult education, rotary and recreation operations are reported as business-type activities.

Reporting The School District's Most Significant Funds

Fund Financial Statements

Our analysis of the School District's major governmental fund begins on page 8. The fund financial statements begin on page 16 and provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State statute, while many other funds are established by the School District to help manage money for particular purposes and compliance with various grant provisions. The School District's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Mentor Exempted Village School District

Management's Discussion & Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2004

Proprietary Funds

Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements; therefore the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary Funds

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the Investment Trust Fund and an agency fund. The School District's fiduciary activities are reported in separate statements on page 27 and 28. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District As A Whole

The Statement of Net Assets provides the perspective of the School District as a whole. The table below provides a summary of the School District's net assets for 2004 and 2003.

	Net Assets			
	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>
Assets:				
Current Assets	\$ 68,825,431	\$ 439,840	\$ 57,908,075	\$ 687,538
Capital Assets	<u>15,879,815</u>	<u>447,325</u>	<u>16,494,891</u>	<u>443,047</u>
Total Assets	<u>84,705,246</u>	<u>887,165</u>	<u>74,402,966</u>	<u>1,130,585</u>
Liabilities:				
Current Liabilities	68,854,043	220,858	65,714,827	234,187
Long Term Liabilities	<u>36,855,292</u>	<u>136,464</u>	<u>18,108,922</u>	<u>156,254</u>
Total Liabilities	<u>105,709,335</u>	<u>357,322</u>	<u>83,823,749</u>	<u>390,441</u>
Net Assets				
Invested in Capital				
Assets, net of debt	1,764,840	310,861	2,482,562	286,793
Restricted	2,773,566	-	1,948,950	-
Unrestricted (deficit)	<u>(25,542,495)</u>	<u>218,982</u>	<u>(13,852,295)</u>	<u>453,351</u>
Total Net Assets	<u>\$ (21,004,089)</u>	<u>\$ 529,843</u>	<u>\$ (9,420,783)</u>	<u>\$ 740,144</u>

In order to further understand what makes up the changes in net assets for the current and previous year, the following table gives readers further details regarding the results of activities for each year.

Mentor Exempted Village School District

Management's Discussion & Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2004

	Changes in Net Assets			
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
Revenues				
Program revenues				
Charges for services	\$ 1,897,529	\$ 2,499,935	\$ 1,865,210	\$ 2,473,073
Operating grants	5,371,399	602,922	4,853,351	519,131
Capital grants	-	-	161,631	-
Total program revenues	<u>7,268,928</u>	<u>3,102,857</u>	<u>6,880,192</u>	<u>2,992,204</u>
General revenues				
Property taxes	54,913,735	-	58,061,187	-
Grants and entitlements	23,729,703	-	21,901,553	-
Investment earnings	94,172	1,173	92,578	4,170
Miscellaneous	929,112	2,500	267,402	-
Gain on sale of capital assets	-	-	13,142	-
Total general revenues	<u>79,666,722</u>	<u>3,673</u>	<u>80,335,862</u>	<u>4,170</u>
Transfers	<u>(33,724)</u>	<u>33,724</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>79,632,998</u>	<u>37,397</u>	<u>80,335,862</u>	<u>4,170</u>
Total revenues	<u>86,901,926</u>	<u>3,140,254</u>	<u>87,216,054</u>	<u>2,996,374</u>
Program expenses				
Instruction				
Regular education	43,134,601	-	40,956,464	-
Special education	9,584,464	-	8,260,968	-
Vocational education	2,835,166	-	2,544,369	-
Adult/continuing education	4,251	-	71,533	-
Other	1,513,815	-	2,298,419	-
Support services				
Pupil	6,128,799	-	5,683,969	-
Instructional staff	5,393,115	-	4,816,165	-
Board of education	479,902	-	629,729	-
Administration	6,440,990	-	6,311,385	-
Fiscal	2,119,153	-	1,694,931	-
Business	302,004	-	23,205	-
Operation and maintenance - plant	8,494,172	-	8,766,874	-
Pupil transportation	5,668,170	-	5,635,017	-
Central	1,321,251	-	1,960,997	-
Operations of non-instructional services				
Extracurricular activities	1,914,056	-	1,011,416	-
Interest and fiscal charges	1,546,458	-	2,858,612	-
Food service	-	-	1,321,916	-
Uniform school supplies	-	2,703,619	-	2,712,308
Adult and community education	-	363,205	-	297,382
Rotary	-	127,653	-	136,412
Recreation	-	12,345	-	-
Recreation	-	143,733	-	187,850
Total program expenses	<u>98,485,232</u>	<u>3,350,555</u>	<u>94,845,969</u>	<u>3,333,952</u>
Change in net assets	\$ <u>(11,583,306)</u>	\$ <u>(210,301)</u>	\$ <u>(7,629,915)</u>	\$ <u>(337,578)</u>

Mentor Exempted Village School District

Management's Discussion & Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2004

Governmental Activities

Net assets of the School District's governmental activities decreased by \$11,583,306. Program revenues of \$7,268,928 and general revenues of \$79,632,998 were not sufficient to offset total governmental expenses of \$98,485,232. Program revenues supported 7.38% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 90.50% of total governmental revenue. Property taxes supported 55.76% of total expenses while grants and entitlements supported 24.09% of total expenses. Between these two revenue items, 79.85% of total governmental expenses were funded.

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 for 2004 and 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>	<u>Total Cost of Services 2003</u>	<u>Net Cost of Services 2003</u>
Program Expenses				
Instruction:				
Regular education	\$ 43,134,601	\$ 41,473,183	\$ 40,956,464	\$ 39,760,502
Special education	9,584,464	6,997,840	8,260,968	6,156,752
Vocational education	2,835,166	1,969,472	2,544,369	1,861,741
Adult/ continuing education	4,251	4,251	71,533	71,533
Other	1,513,815	1,513,815	2,298,419	2,298,419
Support services:				
Pupil	6,128,799	6,084,400	5,683,969	5,683,969
Instructional staff	5,393,115	5,393,115	4,816,165	4,760,165
Board of education	479,902	479,902	629,729	629,729
Administration	6,440,990	6,339,917	6,311,385	5,469,693
Fiscal	2,119,153	2,119,153	1,694,931	1,694,931
Business	302,004	302,004	23,205	23,205
Operation & maintenance - plant	8,494,172	8,494,172	8,766,874	8,766,874
Pupil transportation	5,668,170	5,542,927	5,635,017	5,396,546
Central services	1,321,251	1,237,542	1,960,997	1,868,976
Operation of non-instructional services	1,914,056	699,428	1,011,416	921,846
Extracurricular activities	1,546,458	960,318	2,858,612	1,278,980
Interest and fiscal charges	1,604,865	1,604,865	1,321,916	1,321,916
Total expenses	<u>\$ 98,485,232</u>	<u>\$ 91,216,304</u>	<u>\$ 94,845,969</u>	<u>\$ 87,965,777</u>

The dependence upon tax revenues during fiscal year 2004 for governmental activities is apparent, as 91.64% of 2004 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 92.61% in 2004. The School District's taxpayers, as a whole, are by far the primary support for District's students.

Mentor Exempted Village School District

Management's Discussion & Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2004

Business-Type Activities

Business-type activities include food service operation, uniform supplies, adult education, rotary and recreation. These programs had revenues of \$3,140,254 and expenses of \$3,350,555 for fiscal year 2004. The food service operations had expenses of \$2,703,619 and revenues of \$2,574,471. This resulted in a decrease to net assets for the fiscal year of \$129,148. The other enterprise funds had expenses of \$646,936 and revenues of \$565,783. This resulted in a decrease to net assets for the fiscal year of \$81,153. Management assesses the performance of each of these funds to ensure that they are run efficiently.

The School District's Funds

The School District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund deficit of \$880,649, which is less than last year's deficit of \$10,565,689. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance/Deficit <u>June 30, 2004</u>	Fund Balance/Deficit <u>June 30, 2003</u>	Increase <u>(Decrease)</u>
General	\$ (1,935,213)	\$ (11,832,789)	\$ 9,897,576
Other governmental	<u>1,054,564</u>	<u>1,267,100</u>	<u>(212,536)</u>
Total	\$ <u>(880,649)</u>	\$ <u>(10,565,689)</u>	\$ <u>9,685,040</u>

General Fund

The School District's General Fund balance increased by \$9,897,576, due to an increase in intergovernmental, other revenue and proceeds of notes during 2004. The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

<u>Revenues</u>	2004 <u>Amount</u>	2003 <u>Amount</u>	Percentage <u>Change</u>
Taxes	\$ 52,882,232	\$ 54,296,175	(2.60) %
Interest Earnings	85,407	89,592	(4.67)
Intergovernmental	23,491,602	22,628,508	3.81
Other Revenue	<u>1,297,077</u>	<u>492,532</u>	163.35
Total	\$ <u>77,756,318</u>	\$ <u>77,506,807</u>	

The property tax revenue decreased \$1,407,943 due to the rate reduction on utility personal property within fiscal year 2004.

Intergovernmental revenue increased \$863,094 or 3.81% from the prior year. This increase is attributed to an increase in the number of grants and utility personal property tax replacement funds the School District received in 2004. The decrease in investment income is due to continuous cuts in interest rates by the Federal Reserve Bank throughout the year as well as a significant reduction in the school district's cash flow.

Mentor Exempted Village School District

Management's Discussion & Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2004

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

<u>Expenditures by Function</u>	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percentage Change</u>
Instruction	\$ 52,012,000	\$ 50,698,227	2.59%
Support services	32,305,350	33,617,346	(3.90)
Community services	63,576	98,695	(35.58)
Extracurricular activities	1,214,405	1,220,804	(0.52)
Other expenditures	<u>231,581</u>	<u>273</u>	84,728.20
Total	\$ <u>85,826,912</u>	\$ <u>85,635,345</u>	

The most significant percentage increase was in the area of other expenditures. This increase is due primarily to the payment of interest and fiscal charges from the general fund that did not occur in the prior year. The most significant change in support services is due to a capital lease being recorded to pupil transportation in fiscal year 2003 in the amount of \$1,007,040.

General Fund Budget Information

The School District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The School District's general fund budget was prepared and approved at the fund level for fiscal year 2004. During the course of fiscal 2004, the total budget was changed several times. For the general fund, final budgeted revenues and other financing sources were \$91,791,234. Actual revenues and other financing sources for fiscal year 2004 were \$92,500,022. Actual revenues and other financing sources were \$708,788 higher than budgeted revenues.

General fund original appropriations of \$97,213,180 were decreased to \$91,213,179 in the final budget. The actual expenditures and other financing uses for fiscal year 2004 totaled \$105,106,755, which was \$1,374,393 less than the final budget appropriations.

Capital Assets

The School District had \$16,327,140 invested in capital assets net of depreciation, with \$15,879,815 attributed to government activities. Acquisition for government activities totaled \$1,434,108 and depreciation was \$2,049,184. The majority of the additions were represented by acquisition of building improvements. Detailed information regarding capital asset activities is included in the notes to the financial statement (Note 9).

Mentor Exempted Village School District

Management's Discussion & Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2004

Debt

At June 30, 2004, the School District had \$32,321,439 in an outstanding long-term debt and \$1,410,000 in short-term debt. The School District paid \$464,926 in principal on bonds outstanding, \$362,218 on capital leases outstanding and \$15,500,000 on notes payable during the fiscal year. Detailed information regarding long-term debt activity, capital lease obligations and notes payable activity is included in the notes to the basic financial statements (Notes 14, 15 and 16, respectively).

Current Financial Related Activities

The 2003-2004 fiscal year was a very trying time for the School District and the community. The sudden fiscal crisis of a \$20,000,000 current year deficit surfaced in the fall of 2003 and required \$3,000,000 of mid-year budget cuts combined with a \$17,000,000 Solvency Assistance Advance from the State of Ohio to balance the 2003-2004 budget. On March 3, 2004, the State's Financial Planning and Supervision Commission assumed control of the finances of the School District based on the Auditor of State's declaration of a fiscal emergency condition. Since that time, the Commission has been responsible for approving any expenditure of funds in excess of \$10,000, has approved a financial recovery plan which must be implemented, and must approve the annual budget, the five-year forecast, and any other major financial decision.

From the beginning, the school district moved aggressively to manage the crisis and developed a recovery strategy that included budget reductions and new revenue. The community demonstrated their strong support of public education by passing a 3 mill operating levy in November of 2003, and 7.9 mill, five-year emergency operating levy in August of 2004. In addition, the Board of Education approved the Phase I, Phase II and Phase III budget reductions as recommended by the Superintendent. The Board also approved interim collective bargaining agreements with the Mentor Teachers Association and the Mentor Classified Employees. Both agreements reduced salaries and benefits. In addition, the 2004-2005 scheduled salary increase for administrators was eliminated and the salaries for exempted employees were reduced similar to the collective bargaining groups. Also, the School District insurance committee composed of school district employees recommended, and the Board approved, reductions to the health insurance plan with a savings of over \$172,000 a year.

In the fall of 2003, Mr. Lowell B. Davis joined the District as interim Treasurer. Mr. Davis brought with him over 35 years of successful public school district fiscal management experience. In March of 2004, Mr. Daniel L. Wilson joined the District as the new Chief Financial Officer bringing with him 31 years of experience and having most recently served as the Associate Superintendent for School Finance and Accountability for the Ohio Department of Education.

The 2004-2005 school year began with 209.0 less full time equivalent employees. This represents a reduction of 10 administrators, which is a 22% reduction; a reduction of 129.5 teaching positions, which is an 18% reduction; and a reduction of 69.5 classified positions, which represents a 15% reduction.

With the active participation and strong support of our Superintendent and the Board of Education, the School District's strategy of combining budget cuts with new revenues provided by the community allowed the District to emerge from fiscal emergency on February 4, 2005. The District achieved the second fastest recovery in the history of the State's program.

Mentor Exempted Village School District

Management's Discussion & Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2004

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Daniel L. Wilson, Chief Financial Officer, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060 or by calling (440) 974-5230.

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Mentor Exempted Village School District

Statement of Net Assets

June 30, 2004

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
Assets:			
Equity in pooled cash and investments	\$ 4,785,987	\$ 350,120	\$ 5,136,107
Accounts receivable	26,734	-	26,734
Intergovernmental receivable	746,945	51,635	798,580
Prepaid items	104,935	-	104,935
Materials and supplies inventory	249,820	17,165	266,985
Taxes receivable	60,923,714	-	60,923,714
Restricted assets:			
Equity in pooled cash and investments	2,008,216	-	2,008,216
Internal balances	(20,920)	20,920	-
Nondepreciable capital assets	725,721	-	725,721
Depreciable capital assets, net	<u>15,154,094</u>	<u>447,325</u>	<u>15,601,419</u>
Total assets	<u>84,705,246</u>	<u>887,165</u>	<u>85,592,411</u>
Liabilities:			
Accounts payable	1,184,250	86,693	1,270,943
Accrued wages and benefits	8,029,682	76,772	8,106,454
Intergovernmental payable	1,688,275	9,416	1,697,691
Accrued pension	2,457,813	47,263	2,505,076
Deferred revenue	52,870,312	-	52,870,312
Claims payable	1,130,215	-	1,130,215
Accrued interest payable	83,496	714	84,210
Notes payable	1,410,000	-	1,410,000
Long-term liabilities:			
Due within one year	10,787,280	21,069	10,808,349
Due in more than one year	<u>26,068,012</u>	<u>115,395</u>	<u>26,183,407</u>
Total liabilities	<u>105,709,335</u>	<u>357,322</u>	<u>106,066,657</u>
Net assets:			
Invested in capital assets, net of related debt	1,764,840	310,861	2,075,701
Restricted for:			
Special purposes	765,350	-	765,350
HealthCare Consortium	2,008,216	-	2,008,216
Unrestricted (deficit)	<u>(25,542,495)</u>	<u>218,982</u>	<u>(25,323,513)</u>
Total net assets	\$ <u>(21,004,089)</u>	\$ <u>529,843</u>	\$ <u>(20,474,246)</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Statement of Activities

For The Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular education	\$ 43,134,601	\$ 727,349	\$ 934,069
Special education	9,584,464	234,357	2,352,267
Vocational education	2,835,166	-	865,694
Adult/continuing education	4,251	-	-
Other	1,513,815	-	-
Support services:			
Pupil	6,128,799	44,399	-
Instructional staff	5,393,115	-	-
Board of education	479,902	-	-
Administration	6,440,990	101,073	-
Fiscal	2,119,153	-	-
Business	302,004	-	-
Operations and maintenance - plant	8,494,172	-	-
Pupil transportation	5,668,170	125,243	-
Central	1,321,251	-	83,709
Operation and non-instructional services	1,914,056	78,968	1,135,660
Extracurricular activities	1,546,458	586,140	-
Interest and fiscal charges	1,604,865	-	-
Total governmental activities	<u>98,485,232</u>	<u>1,897,529</u>	<u>5,371,399</u>
Business-type activities:			
Food service	2,703,619	1,968,096	602,702
Uniform supplies	363,205	288,949	-
Adult education	127,653	118,146	220
Rotary	12,345	5,623	-
Recreation	143,733	119,121	-
Total business-type activities	<u>3,350,555</u>	<u>2,499,935</u>	<u>602,922</u>
Totals	<u>\$ 101,835,787</u>	<u>\$ 4,397,464</u>	<u>\$ 5,974,321</u>

General revenues:
 Property taxes levies for:
 General purpose
 Debt service
 Capital projects
 Grant and entitlements not restricted to specific programs
 Investment earnings
 Miscellaneous
 Total general revenues
 Transfers
 Total general revenues and transfers

Change in net assets
 Net assets beginning of the year
 Net assets end of year

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Primary Government		
Governmental Activities	Business - Type Activities	Total
\$ (41,473,183)	\$ -	\$ (41,473,183)
(6,997,840)	-	(6,997,840)
(1,969,472)	-	(1,969,472)
(4,251)	-	(4,251)
(1,513,815)	-	(1,513,815)
(6,084,400)	-	(6,084,400)
(5,393,115)	-	(5,393,115)
(479,902)	-	(479,902)
(6,339,917)	-	(6,339,917)
(2,119,153)	-	(2,119,153)
(302,004)	-	(302,004)
(8,494,172)	-	(8,494,172)
(5,542,927)	-	(5,542,927)
(1,237,542)	-	(1,237,542)
(699,428)	-	(699,428)
(960,318)	-	(960,318)
<u>(1,604,865)</u>	<u>-</u>	<u>(1,604,865)</u>
<u>(91,216,304)</u>	<u>-</u>	<u>(91,216,304)</u>
-	(132,821)	(132,821)
-	(74,256)	(74,256)
-	(9,287)	(9,287)
-	(6,722)	(6,722)
-	(24,612)	(24,612)
<u>-</u>	<u>(247,698)</u>	<u>(247,698)</u>
<u>(91,216,304)</u>	<u>(247,698)</u>	<u>(90,968,606)</u>
52,424,690	-	52,424,690
1,525,603	-	1,525,603
963,442	-	963,442
23,729,703	-	23,729,703
94,172	1,173	95,345
<u>929,112</u>	<u>2,500</u>	<u>931,612</u>
79,666,722	3,673	79,670,395
<u>(33,724)</u>	<u>33,724</u>	<u>-</u>
<u>79,632,998</u>	<u>37,397</u>	<u>79,670,395</u>
(11,583,306)	(210,301)	(11,793,607)
<u>(9,420,783)</u>	<u>740,144</u>	<u>(8,680,639)</u>
\$ <u><u>(21,004,089)</u></u>	\$ <u><u>529,843</u></u>	\$ <u><u>(20,474,246)</u></u>

Mentor Exempted Village School District

Balance Sheet Governmental Funds

June 30, 2004

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 1,649,372	\$ 2,953,697	\$ 4,603,069
Taxes receivable	58,311,168	2,612,546	60,923,714
Accounts receivable	17,945	3,425	21,370
Intergovernmental receivable	45,956	700,989	746,945
Interfund receivables	809,801	-	809,801
Materials and supplies inventory	249,820	-	249,820
Prepays and other assets	<u>103,110</u>	<u>1,825</u>	<u>104,935</u>
Total assets	<u>\$ 61,187,172</u>	<u>\$ 6,272,482</u>	<u>\$ 67,459,654</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 663,945	\$ 518,936	\$ 1,182,881
Accrued wages and benefits	5,632,192	91,018	5,723,210
Intergovernmental payable	1,660,413	26,714	1,687,127
Accrued pension	1,483,832	23,979	1,507,811
Interfund payable	464,947	533,775	998,722
Deferred revenue	53,217,056	2,597,996	55,815,052
Accrued interest payable	-	15,500	15,500
Notes payable	<u>-</u>	<u>1,410,000</u>	<u>1,410,000</u>
Total liabilities	<u>63,122,385</u>	<u>5,217,918</u>	<u>68,340,303</u>
Fund balances:			
Reserve for inventory	249,820	-	249,820
Reserve for prepaids	103,110	1,825	104,935
Reserve for encumbrances	1,069,019	477,397	1,546,416
Reserve for property taxes	5,094,112	263,136	5,357,248
Reserve for debt	-	859,608	859,608
Unreserved; undesignated (deficit) for:			
General fund	(8,451,274)	-	(8,451,274)
Special revenue funds	-	302,389	302,389
Capital projects funds	<u>-</u>	<u>(849,791)</u>	<u>(849,791)</u>
Total fund balances	<u>(1,935,213)</u>	<u>1,054,564</u>	<u>(880,649)</u>
Total liabilities and fund balances	<u>\$ 61,187,172</u>	<u>\$ 6,272,482</u>	<u>\$ 67,459,654</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

June 30, 2004

Total Governmental Funds Balances \$ (880,649)

Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,802,388

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Delinquent property taxes	\$ 2,696,155	
Grants	<u>248,585</u>	
Total		2,944,740

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental Funds, an interest expenditure is reported when due. (67,996)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Assets. 1,286,148

Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.

General obligation debt	(32,184,975)	
Accrued pension	(930,851)	
Compensated absences	(4,670,317)	
Accrued wages and benefits	<u>(2,302,577)</u>	
Total		<u>(40,088,720)</u>

Net assets of governmental activities \$ (21,004,089)

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For The Fiscal Year Ended June 30, 2004

	General	Non-Major Governmental Funds	Total
Revenues:			
Taxes	\$ 52,882,232	\$ 2,489,045	\$ 55,371,277
Intergovernmental	23,491,602	5,360,915	28,852,517
Tuition and fees	896,991	-	896,991
Earnings on investments	85,407	6,128	91,535
Charges for services	-	78,968	78,968
Extracurricular activities	157,315	276,529	433,844
Miscellaneous revenue	242,771	188,653	431,424
Total revenues	<u>77,756,318</u>	<u>8,400,238</u>	<u>86,156,556</u>
Expenditures:			
Current:			
Instruction:			
Regular education	39,500,597	946,835	40,447,432
Special education	8,431,582	934,608	9,366,190
Vocational education	2,568,801	158,569	2,727,370
Adult/continuing education	-	7,046	7,046
Other instruction	1,511,020	-	1,511,020
Support services:			
Pupil	4,928,704	874,928	5,803,632
Instructional staff	4,963,688	200,173	5,163,861
Board of education	479,902	-	479,902
Administration	5,242,560	302,225	5,544,785
Fiscal	2,036,540	61,449	2,097,989
Business	636,011	-	636,011
Operations and maintenance – plant	7,858,228	1,707,429	9,565,657
Pupil transportation	5,128,283	11,199	5,139,482
Central	1,031,434	290,880	1,322,314
Community services	63,576	1,289,731	1,353,307
Extracurricular activities	1,214,405	320,914	1,535,319
Debt services:			
Principal	-	464,926	464,926
Interest and fiscal charges	231,581	1,365,280	1,596,861
Total expenditures	<u>85,826,912</u>	<u>8,936,192</u>	<u>94,763,104</u>
Excess of revenues over (under) expenditures	<u>(8,070,594)</u>	<u>(535,954)</u>	<u>(8,606,548)</u>

Continued

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (continued)

For The Fiscal Year Ended June 30, 2004

	<u>General</u>	Non-Major Governmental <u>Funds</u>	<u>Total</u>
Other financing sources (uses):			
Other sources	-	2,552	2,552
Debt proceeds	19,480,000	-	19,480,000
Transfers – in	20,986	838,864	859,850
Transfers - out	<u>(1,532,816)</u>	<u>(517,998)</u>	<u>(2,050,814)</u>
Total other financing sources (uses)	<u>17,968,170</u>	<u>323,418</u>	<u>18,291,588</u>
Net change in fund balances	9,897,576	(212,536)	9,685,040
Fund balance (deficit), beginning of year	<u>(11,832,789)</u>	<u>1,267,100</u>	<u>(10,565,689)</u>
Fund balance (deficit), end of year	\$ <u><u>(1,935,213)</u></u>	\$ <u><u>1,054,564</u></u>	\$ <u><u>(880,649)</u></u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Reconciliation of The Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For The Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 9,685,040

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	\$ 1,434,108	
Depreciation	<u>(2,035,084)</u>	
Total		(600,976)

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

Delinquent property and other taxes	(457,542)	
Grants	<u>248,585</u>	
Total		(208,957)

Other financing sources in the Governmental Funds that increase long-term liabilities in the Statement of Net Assets. These sources were attributed to the proceeds of long-term notes. (19,480,000)

Internal Service Funds are used by management to charge to costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service Funds are reported with Governmental Activities. 803,984

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.

Accrued pension	(205,446)	
Compensated absences	(73,724)	
Accrued interest on bonds	(8,004)	
Accrued wages and benefits	(2,302,577)	
General obligation debt	<u>807,354</u>	
Total		<u>(1,782,397)</u>

Change in Net Assets of Governmental Activities \$ (11,583,306)

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP) and Actual – General Fund

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 56,937,348	\$ 58,271,497	\$ 53,322,749	\$ (4,948,748)
Intergovernmental	9,979,725	14,546,022	23,626,727	9,080,705
Tuition	298,508	435,093	706,710	271,617
Transportation	49,151	71,641	116,364	44,723
Earnings on investments	36,075	52,582	85,407	32,825
Extracurricular activities	66,448	96,852	157,315	60,463
Miscellaneous	47,182	68,771	111,703	42,932
Total revenues	<u>67,414,439</u>	<u>73,542,458</u>	<u>78,126,975</u>	<u>4,584,517</u>
Expenditures:				
Current:				
Instruction:				
Regular education	20,944,904	39,928,725	39,814,402	114,323
Special education	4,165,563	8,741,948	8,613,146	128,802
Vocational education	1,605,618	2,786,888	2,800,455	(13,567)
Other instruction	1,569,569	1,904,152	1,892,692	11,460
Support services:				
Pupils	2,733,032	5,089,974	5,040,106	49,868
Instructional staff	2,357,963	4,996,084	4,972,933	23,151
Board of education	335,956	597,815	517,806	80,009
Administration	2,816,009	5,056,870	5,027,594	29,276
Fiscal services	1,287,541	2,181,056	2,040,817	140,239
Business	365,071	674,966	662,213	12,753
Operation and maintenance – plant	6,626,712	8,556,008	8,126,625	429,383
Pupil transportation	2,713,447	5,721,741	5,644,217	77,524
Central	878,072	1,201,808	1,077,660	124,148
Community service	60,001	70,558	70,558	-
Extracurricular activities:				
Subject oriented activities	551,000	1,227,310	199,331	1,027,979
Occupation oriented activities	-	-	4,723	(4,723)
Sports oriented	10,915	11,723	818,370	(806,647)
Co-curricular activities	-	-	216,608	(216,608)
Debt service:				
Principal	5,000,000	15,000,000	15,000,000	-
Interest	100,000	267,969	267,969	-
Total expenditures	<u>54,121,373</u>	<u>104,015,595</u>	<u>102,808,225</u>	<u>1,207,370</u>
Excess of revenue over (under)expenditures	<u>13,293,066</u>	<u>(30,473,137)</u>	<u>(24,681,250)</u>	<u>5,791,887</u>

Continued

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP) and Actual – General Fund (continued)

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers – in	24,953	36,369	59,074	22,705
Sale and loss of assets	6,964	10,150	16,487	6,337
Proceeds from sale of notes	31,252,097	33,417,615	29,480,000	(3,937,615)
Refund of prior year expenditures	36,095	52,611	85,455	32,844
Transfer – out	(43,091,663)	(1,699,295)	(1,532,816)	166,479
Advances – out	-	(765,490)	(765,490)	-
Refund prior year receipts	(144)	(768)	(224)	544
Total other financing sources (uses)	<u>(11,771,698)</u>	<u>31,051,192</u>	<u>27,342,486</u>	<u>(3,708,706)</u>
Net change in fund balance	1,521,368	578,055	2,661,236	2,083,181
Fund balance at beginning of year	(4,521,368)	(4,521,368)	(4,521,368)	-
Expenditures against prior year encumbrances	<u>1,943,313</u>	<u>1,943,313</u>	<u>1,943,313</u>	<u>-</u>
Fund balance at end of year	<u>\$ (1,056,687)</u>	<u>\$ (2,000,000)</u>	<u>\$ 83,181</u>	<u>\$ 2,083,181</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Statement of Fund Net Assets Proprietary Funds

June 30, 2004

	Non-Major Business Type	Governmental Activities Internal Service Fund
Assets:		
Current assets:		
Equity in pooled cash and investments	\$ 350,120	\$ 182,918
Accounts receivable	-	5,364
Intergovernmental receivable	51,635	-
Materials and supplies inventories	17,165	-
Interfund receivable	<u>23,673</u>	<u>464,590</u>
Total current assets	<u>442,593</u>	<u>652,872</u>
Non-current assets:		
Restricted assets:		
Equity in pooled cash and investments	-	2,008,216
Depreciable capital assets, net	<u>447,325</u>	<u>77,427</u>
Total non-current assets	<u>447,325</u>	<u>2,085,643</u>
Total assets	<u>889,918</u>	<u>2,738,515</u>
Liabilities:		
Current liabilities:		
Accounts payable	86,693	1,369
Accrued wages and benefits	76,772	3,895
Intergovernmental payable	9,416	1,148
Accrued pension	47,263	19,151
Accrued interest payable	714	-
Interfund payable	2,753	296,589
Claims payable	-	1,130,215
Current portion of long-term liabilities	<u>21,069</u>	<u>-</u>
Total current liabilities	244,680	1,452,367
Long-term liabilities:		
Capital leases	<u>115,395</u>	<u>-</u>
Total liabilities	<u>360,075</u>	<u>1,452,367</u>
Net assets:		
Invested in capital assets, net of related debt	310,861	77,427
Unreserved; undesignated	<u>218,982</u>	<u>1,208,721</u>
Total net assets	<u>\$ 529,843</u>	<u>\$ 1,286,148</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For The Fiscal Year Ended June 30, 2004

	Non-Major Business Type	Governmental Activities <u>Internal Service Fund</u>
Operating revenues:		
Tuition and fees	\$ 408,647	\$ 234,357
Extracurricular activities	2,101	152,296
Sales	1,968,062	-
Charges for services	-	5,999,254
Miscellaneous revenue	<u>120,739</u>	<u>601,984</u>
Total operating revenues	<u>2,499,549</u>	<u>6,987,891</u>
Operating expenses:		
Salaries and wages	1,031,538	481,892
Fringe benefits	438,978	131,805
Contractual services	126,399	278,373
Materials and supplies	1,552,910	74,957
Claims expense	-	6,153,243
Other expenses	175,735	203,640
Depreciation	<u>24,995</u>	<u>14,100</u>
Total operating expenses	<u>3,350,555</u>	<u>7,338,010</u>
Operating loss	<u>(851,006)</u>	<u>(350,119)</u>
Non-operating revenues (expenses):		
Federal donated commodities	145,886	-
Grant revenue	457,036	-
Interest income	1,173	85
Proceeds from sale of assets	2,500	-
Other non-operating revenues	386	41
Other non-operating expenses	<u>-</u>	<u>(3,263)</u>
Total non-operating revenue (expenses)	<u>606,981</u>	<u>(3,137)</u>
Loss before transfers	(244,025)	(353,256)
Transfers – in	33,724	1,167,177
Transfers – out	<u>-</u>	<u>(9,937)</u>
Change in net assets	(210,301)	803,984
Total net assets, beginning of year	<u>740,144</u>	<u>482,164</u>
Total net assets, end of year	\$ <u>529,843</u>	\$ <u>1,286,148</u>

Mentor Exempted Village School District

Statement of Cash Flows Proprietary Funds

For The Fiscal Year Ended June 30, 2004

	Non-Major Business Type	Governmental Activities <u>Internal Service Fund</u>
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from customers	\$ 2,067,229	\$ 6,956,728
Cash received from tuition payments	119,980	152,296
Cash payments received from classroom materials and fees	288,667	-
Cash payments for contractual services	(138,639)	-
Cash payments for materials and supplies	(1,307,511)	(137,688)
Cash payments to employees for services	(1,035,152)	(496,878)
Cash payments for employee benefits	(464,635)	(126,162)
Cash payments for claims	-	(7,654,920)
Cash payments for other operating expenses	<u>(172,982)</u>	<u>(187,166)</u>
<i>Net cash used for operating activities</i>	<u>(643,043)</u>	<u>(1,493,790)</u>
Cash flows from non-capital financing activities:		
Operating grants received	405,401	-
Non-operating revenues	2,782	41
Non-operating expenses	-	(3,263)
Advances – in	387,192	581,871
Advances – out	(8,211)	-
Transfers – in	33,724	1,167,177
Transfers – out	<u>-</u>	<u>(9,937)</u>
<i>Net cash provided by non-capital financing</i>	<u>820,888</u>	<u>1,735,889</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(29,273)	-
Principal payment on capital lease	<u>(19,790)</u>	<u>-</u>
<i>Net cash used for capital and related financing activities</i>	<u>(49,063)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,173</u>	<u>85</u>
Net increase in cash and cash equivalents	129,955	242,184
Cash and cash equivalents, beginning of year	<u>220,165</u>	<u>1,948,950</u>
Cash and cash equivalents, end of year	\$ <u><u>350,120</u></u>	\$ <u><u>2,191,134</u></u>

Continued

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Statement of Cash Flows (continued) Proprietary Funds

For The Fiscal Year Ended June 30, 2004

	Non-Major Business Type	Governmental Activities <u>Internal Service Fund</u>
<i>Reconciliation of net loss to net cash from operating activities:</i>		
Operating loss	\$ (851,006)	\$ (350,119)
Adjustments:		
Depreciation	24,995	14,100
Federal donated commodities	145,886	-
Changes in assets/liabilities:		
(Increase) decrease in accounts receivable	-	12,061
(Increase) decrease in intergovernmental receivable	-	24,697
(Increase) decrease in interfund receivable	(23,673)	84,855
(Increase) decrease in inventory	71,227	-
Increase (decrease) in accounts payable	16,046	(62,731)
Increase (decrease) in accrued wages and benefits	(68,510)	(21,968)
Increase (decrease) in accrued pension	29,823	11,477
Increase (decrease) in intergovernmental payable	9,416	(1,450,503)
Increase (decrease) in interfund payable	2,753	15,994
Increase (decrease) in claims payable	-	228,347
Total adjustments:	<u>207,963</u>	<u>(1,143,671)</u>
<i>Net cash used for operating activities</i>	\$ <u>(643,043)</u>	\$ <u>(1,493,790)</u>

Mentor Exempted Village School District

Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2004

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>506,305</u>
Liabilities:	
Accounts Payable	\$ 37,559
Due to Students	<u>468,746</u>
Total Liabilities	\$ <u>506,305</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Statement of Changes in Fiduciary Net Assets Investment Trust Fund

June 30, 2004

	<u>Investment Trust</u>
Additions:	
Contributions:	
Participant contributions	\$ 15,530,286
Investment earnings:	
Interest	26,624
Miscellaneous	<u>2,280</u>
Total additions	<u>15,559,190</u>
Deductions:	
Administration expenses	9,014
Claims expense	9,919,409
Insurance premium expense	136,918
Miscellaneous expenses	<u>9,535,405</u>
Total deductions	<u>19,600,746</u>
Change in net assets	(4,041,556)
Net assets at beginning of year	<u>4,041,556</u>
Net assets at end of year	\$ <u><u>-</u></u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Mentor Exempted Village School District

Notes To Basic Financial Statements

June 30, 2004

Note 1: Description of the School District

The Mentor Exempted Village School District (the “School District”) operates under a locally elected, five member Board and provides educational services as mandated by State and/or federal agencies. The Board controls sixteen public schools including one high school consisting of grades ten, eleven and twelve; three junior high schools with grades seven, eight, and nine; and twelve elementary schools, grades kindergarten through six. The School District also acted as the fiscal agent for the Lake County Council of Governments Health Care Consortium to March 2004.

The School District is located east of Cleveland, Ohio and serves primarily residences of Lake County and a small section of Geauga County. The School District’s population is drawn primarily from the cities of Mentor and Mentor-on-the-Lake but also serves portions of the Village of Kirtland Hills, Concord Township and Chardon Township. The School District’s population according to the Ohio Department of Taxation was 65,363 and its area covers approximately 34.5 square miles.

As of June 2004, 9,759 students were enrolled in the School District’s 16 schools. The School District employs approximately 557 certified staff and 403 non-teaching and support staff employees.

Note 2: Summary of Significant Accounting Policies

The basic financial statements of the Mentor Exempted Village School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District’s accounting policies are described below.

A. Reporting Entity

The School District’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity.” A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. Component units are legally separate organizations for which the School District is financially accountable.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the School District (the primary government). The School District has no component units.

The School District participates in Jointly Governed Organizations that are further described in Note 17, and in one related Organization as described in Note 21.

Health Care Benefits Program of Lake County School Council

The Health Care Benefits Program of Lake County School Council ("the Program") is a pool created on October 3, 1995, formed by the Boards of Education of eleven school districts in northeast Ohio, for the purpose of undertaking a joint program for the provision of health care benefits, undertaking other cooperative programs from time to time, and fostering cooperation among those school districts in all areas of educational service. The Program was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Program. The Board of Education of each Program Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Program's Assembly. The Assembly elects at its annual meeting a five member Board of Directors and the officers who consist of a Chairman, Vice-Chairman and Recording Secretary, all of which serve until the next annual meeting. All of the authority of the Program shall be exercised by or under the direction of the Board of Directors. The Assembly sets and approves all benefit programs to be offered by or through the Program, and all policies and other contracts are accepted or entered into by the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Program Members, and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Program. The Fiscal Agent shall carry out the responsibilities of the Program Fund, enter into contracts on behalf of the Program as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. The Treasurer of the fiscal agent is the Treasurer of the Program. The Fiscal Agent is reimbursed for such costs incurred by it in carrying out its responsibilities as may be approved by the Board of Directors. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, as required under the terms of the Program Agreement and any benefit program in which such District Member is enrolled, to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Program that are not covered by the premium payments shall be shared equally by the Program Members as approved by the Directors. It is the express intention of the Program Members that the Program Agreement and the Program shall continue for an indefinite term, but may be terminated as provided in the Program Agreement.

Any Program Member wishing to withdraw from participation in the Program or any benefit program shall notify the Board of Directors on or before October 15 preceding the first day of the fiscal year the member will withdraw. Specifics governing the withdrawal of a Program Member and the run out of all claims for such Program Member are addressed in Section 11 of the Program Agreement. Financial information for the Program can be obtained from the Lake County Educational Service Center at 30 South Park Place, Suite 320, Painesville, Ohio 44077.

The District served as fiscal agent and custodian of the Program until March 1, 2004. The operations of the Program, from July 1, 2003 to March 1, 2004, have been included in the District's financial statements as the investment trust fund. In March 2004, Lake County Educational Service Center (the "Center") became the fiscal agent and custodian of the Program. At that time, the Program's net assets were transferred to the Center.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds Governmental funds focus 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 liabilities is reported as fund balance. The following is the School District's major governmental fund:

General Fund The general 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the School District are used to account for the accumulation of resources for and the repayment of general long-term debt principal, interest and related costs; for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds Proprietary funds focus on the determination of operating income/loss, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has no major enterprise fund.

The other proprietary funds of the School District are used to account for food services, the purchase and sale of school supplies, educational opportunities offered on a tuition basis to adults living within the community, a community recreation program, and rotary.

Internal Service Fund Internal service fund accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The School District accounts for a self insurance program, which provides medical, dental and vision benefits to employees.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into three classifications: investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District does not have any private-purpose trust funds. The investment trust fund was used to account for monies held on behalf of the Health Care Benefits Program of Lake County School Council for which the District was fiscal agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has only one agency fund, the Student Activities fund.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self financing or draws from the general revenues of the School District.

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. The trust fund is reported using the economic resources measurement focus.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Presentation and Measurement Focus (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the School District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. 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. Proprietary and fiduciary funds also use the accrual basis of accounting.

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 School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5.) Revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The fair value of donated commodities used during the year is reported in the operating statements as an expense with a like amount reported as donated commodities revenue.

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.

E. Budgets

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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for tax rate determination.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgets (continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term inter-fund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control for a fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2004.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

Cash received by the School District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. The School District's internal service fund had a balance of \$2,008,216 with the Lake County Council of Governments Health Care Benefits Program, a claim servicing pool. The balance in this account is presented on the financial statements as "Restricted Cash and Investments".

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

The Mentor Exempted School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. 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 June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$85,407, which includes \$65,402 assigned from other funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. No restricted assets are required in the General Fund, see Note 19 for additional information regarding set-asides.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

On the government-wide financial statements inventories are presented at the lower of cost or market cost on a first-in, first-out basis and are expensed/expensed when used.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and is expensed/expended when used. Inventories consist of donated food, purchased food, school supplies held for resale and materials and supplies held for consumption.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	8 - 44 years	N/A
Buildings and Buildings Improvements	15 - 82 years	10 years
Furniture and Equipment	5 - 40 years	5 - 15 years
Vehicles	8 - 20 years	20 years

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Compensated Absences

Compensated absences of the School District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the School District and the employee.

In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*", vacation 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

In the 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 "Accrued Wages and Benefits" in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences and special termination benefits 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 fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, prepaids, inventory, and debt.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition and miscellaneous for adult education, sales and miscellaneous for food service and uniform school supplies, a recreation program, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenditures not meeting this definition are reported as non-operating.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 2: Summary of Significant Accounting Policies (continued)

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and 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 Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2004, the School District had neither extraordinary nor special items.

S. Estimates

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

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 3: Accountability and Legal Compliance

A. Accountability

Deficit Fund Balances The following funds had negative fund balances at June 30, 2004:

	<u>Deficit Fund Balance</u>
General Fund	\$ 1,935,213
Non-major Governmental Funds:	
Chapter II	11,942
Non-major Capital Projects Funds:	
Building	1,174,470

The deficits in the above funds are due to timing differences in accruing revenues and expenditures.

B. Legal Compliance

The School District had appropriations for the original budget and at the end of the year that exceeded estimated resources, contrary to Ohio Revised Code 5705.39, for the General Fund in the amounts of \$1,056,687 and \$2,000,000, respectively.

Ohio Revised Code Section 5705.41(B) & (D) prohibits a subdivision or taxing unit from making expenditures unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Board of Education may not exceed appropriations at the legal level for all funds. Ohio Rev. Code Section 5705.38 states a Board of Education shall pass its annual appropriation measure by the first day of October. The District passed permanent appropriation for all other funds on October 28, 2003 and passed temporary appropriations for the General Fund on November 25, 2003. The final appropriations were passed on June 14, 2004. The following funds, which were corrected at year end, had expenditures in excess of appropriations and expenditures plus encumbrances in excess of appropriations as of November 30, 2003 for the General Fund and October 31, 2003 for all other funds.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

	Expenditures/Expenses		
	Plus		
	<u>Encumbrances</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$ 37,158,859	\$ 1,943,313	\$ 35,215,546
Special Revenue Funds:			
Other Grants	365,335	1,976	363,359
Athletics	141,810	88,460	53,350
SchoolNet Professional	5,593	2,455	3,138
Ohio Reads Volunteer	52,820	46,639	6,181
Miscellaneous State Grant	17,670	8,445	9,225
Title VI-B	641,707	484,572	157,135
Vocational Educational Grant	170,418	156,360	14,058
LEP/Immigrant	11,979	11,755	224
Title I	201,459	83,175	118,284
Chapter II	20,226	17,603	2,623
Preschool Grant	31,416	25,621	5,795
E-Rate Reimbursement	944	-	944
Reduction in Class Size	95,258	16,364	78,894
Miscellaneous Federal Grant	7,376	3,840	3,536
Bond Retirement Debt Service Fund	12,688	-	12,688
Capital Projects Funds:			
Permanent Improvement	498,865	205,858	293,007
Building	913,678	-	913,678
SchoolNet Plus	55,335	-	55,335
Enterprise Funds:			
Food Service	584,785	32,643	552,142
Rotary	109,237	11,980	97,257
Adult Education	5,080	-	5,080
Uniform Supply	97,299	85,563	11,736
Recreation	40,000	-	40,000
Internal Service Fund	2,000,397	1,769,191	231,206
Fiduciary Funds:			
Auxiliary Service	148,399	110,969	37,430
Investment Trust	8,379,570	775,531	7,604,039

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 4: Budgetary Basis of Accounting

While the School District 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 Balance - Budget (Non- GAAP) and Actual presented for the general fund 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 fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	Net Change In Fund Balance
GAAP Basis	\$ 9,897,576
Net Adjustment for Revenue Accruals	(4,757,507)
Net Adjustment for Expenditure Accruals	(4,045,024)
Adjustment for Encumbrances	<u>1,566,191</u>
Budget Basis	\$ <u>2,661,236</u>

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 5: Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) are for calendar 2004 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value and twenty-three percent of true value for inventory.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second-Half Collections		2004 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 1,436,430,740	86%	\$ 1,685,185,080	89%
Public Utility Personal	42,734,840	3%	43,693,710	2%
Tangible Personal Property	<u>182,230,555</u>	<u>11%</u>	<u>167,917,519</u>	<u>9%</u>
	\$ <u>1,661,396,135</u>	<u>100%</u>	\$ <u>1,896,796,309</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed Valuation		66.77		69.62

Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30 and are intended to finance the fiscal year in which they are paid. This year, the June 2004 tangible personal property tax settlement was not received until July of 2004.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 5: Property Taxes (continued)

The Lake County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Mentor Exempted Village School District. The Lake County Auditor periodically advances to the School District its portion of the taxes. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable include the late settlement of personal property, real, personal and public utility taxes which became measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current fiscal year operations. The late settlement and the amount available to the School District as an advance at June 30, 2004 is recognized as revenue. At June 30, 2004, \$5,094,112 was available as an advance to the general fund, \$132,502 was available to the debt service fund and \$130,634 for the permanent improvement capital projects fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

Note 6: Deposits and Investments

State statutes classify monies held by the School District 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the Board of Education 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 monies 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.

Protection of the School District'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.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 6: Deposits and Investments (continued)

Interim monies are to 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;
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);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation it will be held to maturity. 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 transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 6: Deposits and Investments (continued)

Deposits At year-end, the carrying amount of the School District's deposits was \$4,649,469 and the bank balance was \$2,975,612. Of the District's deposits \$2,008,216 is cash held with a fiscal agent. \$200,000 of the bank balance was covered by federal depository insurance and \$2,775,612 was collateralized with securities held by the pledging financial institution's trust department but not in the name of the School District. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or an agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had \$3,001,159 in StarOhio. Investments in the StarOhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 7,650,628	\$ -
Investments which are part of the cash management pool:		
STAR Ohio	<u>(3,001,159)</u>	<u>3,001,159</u>
	<u>\$ 4,649,469</u>	<u>\$ 3,001,159</u>

Of the total equity in pooled cash and investments of \$7,650,628, \$2,008,216 is the School District's portion which has been classified as a restricted asset in the internal service fund on the Statement of Fund Net Assets and in the governmental activities on the Statement of Net Assets.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 7: Interfund Transactions

A. Interfund transactions for the year ended June 30, 2004 consisted of the following:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 510,459
General Fund	Nonmajor Enterprise Funds	2,753
General Fund	Internal Service Funds	296,589
Nonmajor Enterprise Funds	General Fund	357
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	23,316
Internal Service Fund	General Fund	<u>464,590</u>
		<u>\$ 1,298,064</u>

B. Interfund transfers for the year ended June 30, 2004, consisted of the following:

	<u>Amount</u>
Transfers from General Fund to:	
Nonmajor Governmental Funds	\$ 332,415
Nonmajor Enterprise Funds	33,224
Internal Service Funds	1,167,177
Transfer from Nonmajor Governmental Funds to:	
General Fund	15,279,518
Nonmajor Governmental Funds	506,449
Transfers from Internal Service Fund to:	
General Fund	9,437
Nonmajor Enterprise Funds	500

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 8: Receivables

Receivables at June 30, 2004, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the non-payment of taxes the stable condition of the state programs and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Taxes – Current and Delinquent	\$ 60,923,714
Accounts	26,734
Intergovernmental	746,945
Business-Type Activities:	
Intergovernmental	<u>51,635</u>
Total Receivables	<u>\$ 61,749,028</u>

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 9: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

	Balance June 30, <u>2003</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2004</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ <u>725,721</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>725,721</u>
Capital assets, being depreciated:				
Land improvements	3,054,671	-	-	3,054,671
Buildings and improvements	34,817,804	1,280,304	-	36,098,108
Furniture and equipment	9,041,297	132,636	-	9,173,933
Vehicles	<u>5,520,976</u>	<u>21,168</u>	<u>-</u>	<u>5,542,144</u>
Total capital assets, being depreciated	<u>52,434,748</u>	<u>1,434,108</u>	<u>-</u>	<u>53,868,856</u>
Less accumulated depreciation:				
Land improvements	(2,590,167)	(119,598)	-	(2,709,765)
Buildings and improvements	(25,011,453)	(740,785)	-	(25,752,238)
Furniture and equipment	(6,181,707)	(585,626)	-	(6,767,333)
Vehicles	<u>(2,882,251)</u>	<u>(603,175)</u>	<u>-</u>	<u>(3,485,426)</u>
Total accumulated depreciation	<u>(36,665,578)</u>	<u>(2,049,184)</u>	<u>-</u>	<u>(38,714,762)</u>
Depreciated, net	<u>15,769,170</u>	<u>(615,076)</u>	<u>-</u>	<u>15,154,094</u>
Total governmental activities capital assets, net	\$ <u>16,494,891</u>	\$ <u>(615,076)</u>	\$ <u>-</u>	\$ <u>15,879,815</u>
Business-type activities:				
Buildings and improvements	\$ 6,234	\$ 23,870	\$ -	30,104
Furniture and equipment	738,196	5,403	-	743,599
Vehicles	164,142	-	-	164,142
Less accumulated depreciation	<u>(465,525)</u>	<u>(24,995)</u>	<u>-</u>	\$ <u>(490,520)</u>
Total business-type activities Capital assets, net	\$ <u>443,047</u>	\$ <u>4,278</u>	\$ <u>-</u>	\$ <u>447,325</u>

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 9: Capital Assets (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular education	\$ 1,288,221
Special education	6,105
Vocational education	30,047
Support services:	
Pupil	2,564
Administration	14,645
Business	121,301
Operation and maintenance of plant	557,329
Pupil transportation	21,758
Central	1,329
Community services	2,285
Co-curricular sports oriented activities	<u>3,600</u>
 Total depreciation expense	 \$ <u>2,049,184</u>

Note 10: Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with Indiana Insurance Company for property, building contents, and data processing insurance.

Indiana Insurance Company covers the boiler and machinery, there is a \$1,000 and \$500 deductible per occurrence, respectively. General liability is protected by Indiana Insurance Company with a \$1,000,000 single occurrence limit, a \$5,000,000 aggregate and a \$5,000 deductible. Vehicles are covered by Indiana Insurance Company and hold a \$500 deductible for comprehensive collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past ten years. There have been no significant reductions in insurance coverage from the prior year.

B. Workers Compensation

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 10: Risk Management (continued)

B. Workers Compensation (continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The June 30, 2004 claims liability and cash with fiscal agent are determined based on the percentage of the School District's participants to total pool participants. For the Year ended June 30, 2004, the pool's cash reserves and claims liability were \$6,636,537 and \$3,735,014, respectively. The School District's allocated pool percentage for the year ended June 30, 2004 was 30.26 percent, which represents \$2,008,216 and \$1,130,215 of pool cash reserves and claims liabilities, respectively.

	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
June 30, 2003	883,056	6,818,448	6,799,636	901,868
June 30, 2004	901,868	6,153,243	5,924,896	1,130,215

Note 11: Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222 – 5853.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 11: Defined Benefit Pension Plans (continued)

A. School Employees Retirement System (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,058,400, \$1,838,875, and \$1,666,054, respectively; 33 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227 - 4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 11: Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System (continued)

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions. The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$6,084,240, \$6,478,736, and \$6,165,629, respectively; 82 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$39,233 made by the School District and \$41,194 made by the plan members.

Note 12: Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$468,019 for fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 12: Postemployment Benefits (continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$827,444.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 13: Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum accumulation of 95 days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

B. Early Retirement Incentive

The District Board of Education has approved an early retirement incentive program for certified and classified employees. For classified employees, the bonus is as follows:

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 13: Other Employee Benefits (continued)

B. Early Retirement Incentive (continued)

Any employee who first becomes eligible for SERS retirement before July 1, 2004, shall be entitled to a retirement incentive bonus amounting to forty percent (40%) of said employee's highest earnings in any employment year with the Board inclusive of longevity, overtime, supplemental contracts, if any, and any other income reported to the government, during the period of July 1 through June 30, provided the employee retires during the first year of eligibility during the term of this Agreement. Employees previously eligible to retire and continue to be employed will be eligible for a twenty-five percent (25%) one-time bonus if the employee retires before July 1, 2004. For certified employees the bonus is as follows: Any employee who is currently eligible for retirement with the State Teachers Retirement System or becomes eligible by the end of the 2003-2004 school year shall be entitled to a retirement incentive in the amount of \$15,000 as listed under the articles of this program. Those individuals who were eligible during the 2003-2004 school year and do not elect this incentive, will receive \$7,500 during the second year eligibility. If the retirement incentive is not taken during the first or second year of eligibility, then the employee will no longer be eligible.

The liability of unpaid severance, in the amount of \$2,302,577 has been included as accrued wages and benefits on the statement of net assets. This obligation will ultimately be paid from the fund which the employee was paid.

Note 14: Long - Term Liabilities

All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 1.14 mill bonded-debt tax levy.

	<u>Original Bond Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>
School Improvement Refunding	\$ 4,514,993	2.20% – 11.19%	10/ 01/ 01
School Improvement Refunding	<u>12,729,687</u>	2.30% – 5.375%	03/ 01/ 93
	<u>\$ 17,244,680</u>		

On March 1, 1993, the District issued \$12,729,687 in school improvement refunding bonds to advance refund \$12,730,000 of outstanding School Improvement Bonds, Series 1989. On December 1, 1999, the Series 1989 school improvement bonds outstanding were paid in full.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 14: Long - Term Liabilities (continued)

On October 1, 2001, the District issued \$4,514,993 in school improvement refunding bonds to advance refund \$8,600,000 of outstanding School Improvement Bonds, Series 1991. On December 1, 2001, the Series 1991 school improvement bonds were called.

The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding <u>6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>6/30/04</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
School improvement refunding bonds, 2.20%-5.375%, 12/11 maturity	\$ 8,284,926	\$ -	\$ (99,926)	\$ 8,185,000	\$ 850,000
School improvement refunding bonds 2.20%-11.19%, 12/13 maturity	4,170,000	-	(365,000)	3,805,000	375,000
Tax anticipation notes 3.5%, 12/08 maturity	-	2,480,000	-	2,480,000	496,000
State solvency loan, 0.0%, 06/06 maturity	-	17,000,000	-	17,000,000	8,500,000
Capital lease obligations	1,057,403	-	(342,428)	714,975	267,436
Compensated absences	<u>4,596,593</u>	<u>73,724</u>	<u>-</u>	<u>4,670,317</u>	<u>298,844</u>
Total governmental long-term liabilities	\$ <u>18,108,922</u>	\$ <u>19,553,724</u>	\$ <u>(807,354)</u>	\$ <u>36,855,292</u>	\$ <u>10,787,280</u>
Business-type activities					
Capital lease obligations	\$ <u>156,254</u>	<u>-</u>	<u>(19,790)</u>	<u>136,464</u>	<u>21,069</u>

At June 30, 2004 the School District's overall legal debt margin was \$158,303,778 with an unvoted debt margin of \$1,896,796. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2004 are as follows:

Fiscal Year Ending <u>June 30</u>	General Obligation Bonds		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2005	\$ 1,225,000	\$ 528,292	\$ 1,753,292
2006	1,280,000	475,069	1,755,069
2007	1,166,697	422,076	1,588,773
2008	1,193,303	370,207	1,563,510
2009	1,440,000	308,430	1,748,430
2010 - 2014	<u>5,685,000</u>	<u>514,791</u>	<u>6,199,791</u>
Total	\$ <u>11,990,000</u>	\$ <u>2,618,865</u>	\$ <u>14,608,865</u>

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 14: Long - Term Liabilities (continued)

Fiscal Year Ending June 30	Long-term Tax Anticipation Notes		Total	State Solvency
	Principal	Interest		Loan Principal
2005	\$ 496,000	\$ 78,120	\$ 574,120	\$ 8,500,000
2006	496,000	60,760	556,760	8,500,000
2007	496,000	43,400	539,400	-
2008	496,000	26,040	522,040	-
2009	496,000	8,680	504,680	-
Total	\$ 2,480,000	\$ 217,000	\$ 2,697,000	\$ 17,000,000

Note 15: Capital Lease Obligations

The District has entered into capital leases for technology/electrical upgrades, vehicles and acquisition of equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reflected as program/function expenditures in the basic financial statements.

Governmental activities and business-type activities capital assets consisting of technology/electrical equipment and upgrades and vehicles have been capitalized in the amount of \$1,610,759 and \$164,142, respectively. These amounts represent the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements as well as the Statement of Net Assets for Proprietary Funds. Principal payments in the 2004 fiscal year totaled \$342,428 and \$19,790, respectively for the governmental activities and the business-type activities. These amounts are reported as program/function expenditures of the General Fund and as an expense in the Food Service Enterprise Fund, respectively for the governmental activities and the business-type activities.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003:

Year Ending June 30,	Governmental Activities Amount	Business-Type Activities Amount
2005	\$ 300,657	\$ 29,040
2006	256,169	29,040
2007	215,296	29,040
2008	-	29,040
2009 – 2010	-	45,980
Total minimum lease payment	772,122	162,140
Less: amount representing interest	(57,147)	(25,676)
Present value of minimum lease payments	\$ 714,975	\$ 136,464

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 16: Notes Payable

In accordance with Ohio law, general obligation note debt service (interest and fiscal charges) was recorded in the Debt Service Fund. GASB Codification B50.101 requires the Debt Service Fund present general obligation long-term debt principal and interest retirement only and that anticipation notes payable be shown as liabilities of the funds which receive the note proceeds. Accordingly, bond anticipation notes have been reported in the capital projects fund. Tax anticipation notes were issued in June 2003 for \$5,000,000 maturing in June 2004, with an average interest rate of 2.0 percent. Balance outstanding at June 30, 2003 was \$5,000,000.

	Interest Rate	Issue Date	Maturity Date	Outstanding Beginning of Year	Addition During Year	Redemption During Year	Outstanding End of Period
Tax anticipation note	2.00%	06/26/03	06/26/04	\$ 5,000,000	\$ -	\$ (5,000,000)	\$ -
Tax anticipation note	2.38%	11/26/03	06/15/04	-	10,000,000	(10,000,000)	-
Energy conservation note	1.29%	05/01/03	05/01/04	500,000	-	(500,000)	-
Energy conservation note	2.40%	04/29/04	04/19/05	-	250,000	-	250,000
Energy conservation note	1.25%	07/10/03	07/08/04	-	1,160,000	-	1,160,000
				<u>\$ 5,500,000</u>	<u>\$ 11,410,000</u>	<u>\$ (15,500,000)</u>	<u>\$ 1,410,000</u>

Note 17: Jointly Governed Organizations

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2004 the School District paid \$3,907 to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school district will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 17: Jointly Governed Organizations (continued)

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for the debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to repurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the School District is required to repay savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

Health Care Benefits

The Health Care Benefits Program of Lake County School Council (“the Program”) is a pool created on October 3, 1995, formed by the Boards of Education of eleven school districts in northeast Ohio, for the purpose of undertaking a joint program for the provision of health care benefits, undertaking other cooperative programs from time to time, and fostering cooperation among those school districts in all areas of educational service. The Program was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Program. The Board of Education of each Program Member shall appoint its Superintendent or such Superintendent’s designee to be its representative of the Program’s Assembly. The Assembly elects at its annual meeting a five member Board of Directors and the officers who consist of a Chairman, Vice-Chairman and Recording Secretary, all of which serve until the next annual meeting.

East Shore Regional Transportation System

The East Shore Regional Transportation System (ESRTS) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTS is not accumulating significant financial resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. In fiscal year 2004, the School District paid \$158,774 to ESRTS. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 17: Jointly Governed Organizations (continued)

East Shore Center

The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant financial resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. In fiscal year 2004, the School District paid \$110,466 to the East Shore Center. Financial information can be obtained by writing the fiscal agent, Lake County Educational Service Center, 30 South Park Place, Suite 30, Painesville, OH 44077.

Lake-Geauga Computer Association

The Lake-Geauga Computer Association (LGCA) is a jointly governed organization consisting of 18 school districts in Lake, Geauga and Cuyahoga County. This jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. LCGA is organized under Chapter 167 and 3313 of the Ohio Revised Code and is governed by an assembly that consists of a superintendent or designated representative from each participating member. LGCA has a Board of Directors chosen from the general membership of the LGCA's assembly. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. The degree of control exercised by any participating school district is limited to its voting rights at general assembly meetings. The Educational Service Center is the fiscal agent as well as a voting member of LGCA. All the consortium revenues are generated from charges and State funding. To obtain financial information can, write the Lake-Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

Note 18: Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital maintenance. Disclosure of this information is required by State statute.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 18: Set-Aside Calculations (continued)

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>
Set-Aside Reserve Balance as of July 1, 2003	\$ (445,638)	\$ -
Current Year Set-Aside Requirements	1,388,120	1,388,120
Offset Credits	-	(520,063)
Qualifying Disbursements	<u>(951,883)</u>	<u>(1,480,728)</u>
Total	<u>(9,401)</u>	\$ <u>(612,671)</u>
Set-aside Balance Carried Forward To Future Fiscal Years	\$ <u>(9,401)</u>	\$ <u>-</u>
Set-aside Reserve Balance as of June 30, 2004	\$ <u>-</u>	\$ <u>-</u>

The School District had qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amounts below zero. This amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 19: Contingencies

A. Grants

The School District received financial assistance from 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 adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

The Mentor Exempted Village School District is a party to legal proceedings. The School District management is of the opinion that ultimate disposition of these claims will not have a material effect on the financial condition of the School District.

Mentor Exempted Village School District

Notes to Basic Financial Statements (continued)

June 30, 2004

Note 20: State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 21: Related Organization

The Mentor Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Mentor Exempted Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Mentor Public Library, Ms. Angela Kovitch, Clerk/Treasurer, at 8215 Mentor Avenue, Mentor, Ohio 44060.

Note 22: Fiscal Emergency

In accordance with Ohio Revised Code Chapter 3316, the School District was placed under fiscal emergency by the Auditor of State in February of 2004. The declaration of fiscal emergency results from spending exceeding revenues, relying on carryover cash balances from prior years, and borrowing to finance recent deficits. The financial operation of the School District has in part been turned over to the Financial Planning and Supervision Commission. This commission is comprised of five members including the Superintendent of Public Instruction and the School Management Assistance Assistant Director.

Note 23: Subsequent Event

On September 13, 2004, the Board approved \$7,000,000 five-year tax anticipation notes.

The District's fiscal emergency has been terminated as of February 4, 2005.

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Mentor Exempted Village School District

Combining Statements and Individual Fund Schedules

Mentor Exempted Village School District

Fund Descriptions

Nonmajor Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes. Following is a description of the School District's nonmajor special revenue funds:

Other Grants Fund This fund accounts for the proceeds of specific revenue sources, except for state and federal grants that are legally restricted to expenditures for specific purposes.

Venture Capital Grant Fund This fund is used to account for monies received from the State for the purpose of promoting reform in teaching and learning, improvement of the professional development of educators, improvements in the quality of schools as organizations, and developing ways to bring it all together to achieve and sustain high performance.

Athletic DMSA Fund This fund accounts for gate receipts and other revenues from athletic events and all costs (except supplemental coaching contracts) of the School District's athletic program and transportation of the band to and from athletic events.

Auxiliary Services Fund This fund accounts for State monies used to provide services and materials for pupils attending non-public schools within the School District.

Early Childhood Education Fund This fund is used for Preschool enrichment by identifying and individualizing programming for the young gifted student.

Management Information Systems Fund This fund accounts for State monies which support the development of hardware and software or other costs associated with the requirements of the management information system.

ONenet Ohio Program Fund This fund provides for wiring to all classrooms in the State and to provide a computer workstation and related technology for every classroom in Ohio's low-wealth school districts.

SchoolNet Professional Development Fund This fund accounts for State monies to assist staff in gaining knowledge of technology.

Ohio Reads Fund This fund accounts for State monies to improve reading outcomes, especially on the fourth grade reading proficiency test and for volunteer coordinators in public schools and costs associated with volunteer coordination, for background checks for volunteers, to evaluate the Ohio Reads Program, and for operating expenses associated with administering the program.

Summer Intervention Fund This fund accounts for summer intervention services satisfying criteria defined in division (E) of section 3313.608 of the Revised Code.

Vocational Education Enhancement Fund This fund accounts for supplemental vocational equipment.

Miscellaneous State Grants Fund This fund accounts for other State Grants which are not required to be accounted for in a separate fund.

Mentor Exempted Village School District

Fund Descriptions

Nonmajor Special Revenue Funds (continued)

Title VI-B Fund This fund accounts for Federal monies used to assist schools in the identification of handicapped children, development of procedural safeguards, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

Vocational Education Fund This fund accounts for the development of vocational education programs in the following categories: secondary, post-secondary, adult, disadvantaged and handicapped persons, exemplary programs, cooperative education, construction of area vocational schools, ancillary services, research, advisory committees, and work-study projects.

LEP/Immigrant Title III Fund This fund accounts for federal monies used for costs associated with English proficiency.

Title I Fund This fund accounts for Federal monies used to assist the School District in meeting the special needs of educationally deprived children.

Chapter II Fund This fund accounts for federal revenues which support the implementation of a variety of programs such as computer education, gifted and talented programs, and in-service and staff development.

Drug Free School Grant Fund This fund accounts for Federal monies used to support the implementation of programs for drug abuse education and prevention.

Preschool Grant for the Handicapped Fund This fund accounts for the improvement and expansion of services for handicapped children ages 3-5 years.

Special Trust This fund accounts for monies used for purposes that are beneficial to the overall operation of the School District.

E-Rate Reimbursement Fund This fund accounts for a federal grant that is paid directly to the telecommunications service provider.

Classroom Reduction Fund This fund accounts for Federal monies used to reduce class sizes in elementary schools.

Miscellaneous Federal Grants Fund This fund accounts for other Federal Grants, which are not required to be accounted for in a separate fund.

Nonmajor Capital Projects Funds

Capital Projects 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 proprietary funds). Following is a description of the nonmajor capital projects funds.

Permanent Improvement Fund This fund accounts for property taxes levied to be used for various capital improvements within the School District.

Building Fund This fund accounts for financial resources to be used for the purchase of major capital equipment and facilities renovation.

Mentor Exempted Village School District

Fund Descriptions

Replacement Fund This fund accounts for the monies used in the rebuilding, restoration, repair or improvement of property which has been totally or partially destroyed from any cause. Such property may have become unfit for use, necessitating its demolition in whole or in part, and require repair or restoration before it can again be used.

SchoolNet Plus Fund This fund accounts for State monies to be used to provide wiring to all classrooms that supports the transmission of voice, video and data, and to provide a computer workstation and related technology for every classroom.

Nonmajor Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. Following is a description of the nonmajor enterprise funds:

Food Service Fund This fund accounts for financial transactions related to food service operations.

Uniform School Supply Fund This fund is under the authority of Section 3313.811, Ohio Revised Code, for the purchase and sale of school supplies as adopted by the Board of Education for use in the schools of the district.

Adult Education Fund This fund accounts for monies received and expended in connection with adult education classes.

Rotary Fund This fund accounts for income and expenses made in connection with goods and services provided by a school district.

Recreation Fund This fund accounts for monies received and expended in connection with a Community Recreation Program.

Mentor Exempted Village School District

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2004

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 1,488,844	\$ 859,608	\$ 605,245	\$ 2,953,697
Taxes receivable	-	1,595,860	1,016,686	2,612,546
Accounts receivable	3,425	-	-	3,425
Intergovernmental receivable	700,989	-	-	700,989
Prepays and other assets	1,825	-	-	1,825
Total assets	<u>\$ 2,195,083</u>	<u>\$ 2,455,468</u>	<u>\$ 1,621,931</u>	<u>\$ 6,272,482</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 505,661	\$ -	\$ 13,275	\$ 518,936
Accrued wages and benefits	91,018	-	-	91,018
Intergovernmental payable	26,714	-	-	26,714
Accrued pension	23,979	-	-	23,979
Interfund payable	533,775	-	-	533,775
Deferred revenue	248,586	1,463,358	886,052	2,597,996
Accrued interest payable	-	-	15,500	15,500
Notes payable	-	-	1,410,000	1,410,000
Total liabilities	<u>1,429,733</u>	<u>1,463,358</u>	<u>2,324,827</u>	<u>5,217,918</u>
Fund balance:				
Reserve for prepaid items	1,825	-	-	1,825
Reserve for encumbrances	461,136	-	16,261	477,397
Reserve for property taxes	-	132,502	130,634	263,136
Reserve for debt	-	859,608	-	859,608
Unreserved; undesignated (deficit)	<u>302,389</u>	<u>-</u>	<u>(849,791)</u>	<u>(547,402)</u>
Total fund balances (deficit)	<u>765,350</u>	<u>992,110</u>	<u>(702,896)</u>	<u>1,054,564</u>
Total liabilities and fund balances	<u>\$ 2,195,083</u>	<u>\$ 2,455,468</u>	<u>\$ 1,621,931</u>	<u>\$ 6,272,482</u>

Mentor Exempted Village School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For The Fiscal Year Ended June 30, 2004

	Nonmajor Special <u>Revenue</u>	Nonmajor Debt <u>Service</u>	Nonmajor Capital <u>Projects</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ -	\$ 1,525,603	\$ 963,442	\$ 2,489,045
Intergovernmental	5,078,003	181,079	101,833	5,360,915
Earnings on investments	1,945	-	4,183	6,128
Food service	78,968	-	-	78,968
Extracurricular activities	276,529	-	-	276,529
Miscellaneous revenue	<u>188,553</u>	<u>-</u>	<u>100</u>	<u>188,653</u>
Total revenues	<u>5,623,998</u>	<u>1,706,682</u>	<u>1,069,558</u>	<u>8,400,238</u>
Expenditures:				
Current:				
Instruction:				
Regular education	891,500	-	55,335	946,835
Special education	934,608	-	-	934,608
Vocational education	158,569	-	-	158,569
Adult/continuing	7,046	-	-	7,046
Support services:				
Pupil	874,928	-	-	874,928
Instructional staff	200,173	-	-	200,173
Administration	302,225	-	-	302,225
Fiscal	1,965	39,028	20,456	61,449
Operations and maintenance of plant	3,775	-	1,703,654	1,707,429
Pupil transportation	11,199	-	-	11,199
Central	290,880	-	-	290,880
Community services	1,289,731	-	-	1,289,731
Extracurricular activities	320,914	-	-	320,914
Debt service:				
Principal payment	-	464,926	-	464,926
Interest and fiscal charges	<u>-</u>	<u>1,344,405</u>	<u>20,875</u>	<u>1,365,280</u>
Total expenditures	<u>5,287,513</u>	<u>1,848,359</u>	<u>1,800,320</u>	<u>8,936,192</u>
Excess of revenues over (under) expenditures	<u>336,485</u>	<u>(141,677)</u>	<u>(730,762)</u>	<u>(535,954)</u>

Mentor Exempted Village School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds (continued)

For The Fiscal Year Ended June 30, 2004

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Other sources	-	2,552	-	2,552
Transfers – in	76,000	256,414	506,450	838,864
Transfers – out	<u>(47,937)</u>	<u>(220,061)</u>	<u>(250,000)</u>	<u>(517,998)</u>
Total other financing sources (uses)	<u>28,063</u>	<u>38,905</u>	<u>256,450</u>	<u>323,418</u>
Net change in fund balance	364,548	(102,772)	(474,312)	(212,536)
Fund balance (deficit), beginning of year	<u>400,802</u>	<u>1,094,882</u>	<u>(228,584)</u>	<u>1,267,100</u>
Fund balance (deficit), end of year	\$ <u>765,350</u>	\$ <u>992,110</u>	\$ <u>(702,896)</u>	\$ <u>1,054,564</u>

Mentor Exempted Village School District

Combining Balance Sheet Nonmajor Special Revenue Funds

June 30, 2004

	<u>Other Grants</u>	<u>Venture Capital Grant</u>	<u>Athletic DMSA</u>	<u>Auxiliary Services</u>
Assets:				
Equity in pooled cash and investments	\$ -	\$ 1	\$ 89,309	\$ 182,046
Accounts receivable	-	-	-	-
Intergovernmental receivable	-	-	-	-
Prepays and other assets	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 89,309</u>	<u>\$ 182,046</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 141	\$ 112,048
Accrued wages and benefits	-	-	-	-
Intergovernmental payable	-	-	-	-
Accrued pension	-	-	-	-
Interfund payable	-	-	4,458	9,862
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>4,599</u>	<u>121,910</u>
Fund balances:				
Reserve for prepaid items	-	-	-	-
Reserve for encumbrances	-	-	28,275	33,550
Unreserved; undesignated (deficit)	<u>-</u>	<u>1</u>	<u>56,435</u>	<u>26,586</u>
Total fund balances	<u>-</u>	<u>1</u>	<u>84,710</u>	<u>60,136</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 89,309</u>	<u>\$ 182,046</u>

<u>Early Childhood Education</u>	<u>Management Information System</u>	<u>ONEnet Ohio Program</u>	<u>SchoolNet Professional Development</u>	<u>OhioReads</u>	<u>Summer Intervention</u>
\$ 1	\$ 28,677	\$ 10,840	\$ 6,751	\$ 35,507	\$ 70,890
-	-	-	-	-	-
-	-	-	-	-	86,146
-	-	-	-	-	-
<u>\$ 1</u>	<u>\$ 28,677</u>	<u>\$ 10,840</u>	<u>\$ 6,751</u>	<u>\$ 35,507</u>	<u>\$ 157,036</u>
\$ -	\$ 2,420	\$ -	\$ -	\$ 2,820	\$ 63,286
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,735	43,409
-	-	-	-	-	300
<u>-</u>	<u>2,420</u>	<u>-</u>	<u>-</u>	<u>5,555</u>	<u>106,995</u>
-	-	-	-	-	-
-	-	1,123	-	29,278	7,604
<u>1</u>	<u>26,257</u>	<u>9,717</u>	<u>6,751</u>	<u>674</u>	<u>42,437</u>
<u>1</u>	<u>26,257</u>	<u>10,840</u>	<u>6,751</u>	<u>29,952</u>	<u>50,041</u>
<u>\$ 1</u>	<u>\$ 28,677</u>	<u>\$ 10,840</u>	<u>\$ 6,751</u>	<u>\$ 35,507</u>	<u>\$ 157,036</u>

Continued

Mentor Exempted Village School District

Combining Balance Sheet Nonmajor Special Revenue Funds (continued)

June 30, 2004

	<u>Vocational Education Enhancement</u>	<u>Miscellaneous State Grants</u>	<u>Title VI-B</u>	<u>Vocational Education</u>
Assets:				
Equity in pooled cash and investments	\$ 5,424	\$ 31,557	\$ 417,598	\$ 135,126
Accounts receivable	-	-	-	-
Intergovernmental receivable	3,505	-	423,526	72,907
Prepays and other assets	-	-	1,825	-
Total assets	<u>\$ 8,929</u>	<u>\$ 31,557</u>	<u>\$ 842,949</u>	<u>\$ 208,033</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 3,147	\$ -	\$ 194,258	\$ 82,042
Accrued wages and benefits	-	-	49,889	-
Intergovernmental payable	-	-	14,708	-
Accrued pension	-	-	13,143	-
Interfund payable	3,797	-	340,969	85,203
Deferred revenue	-	-	216,123	4,907
Total liabilities	<u>6,944</u>	<u>-</u>	<u>829,090</u>	<u>172,152</u>
Fund balances:				
Reserve for prepaid items	-	-	1,825	-
Reserve for encumbrances	2,278	31	214,026	34,360
Unreserved; undesignated (deficit)	<u>(293)</u>	<u>31,526</u>	<u>(201,992)</u>	<u>1,521</u>
Total fund balances	<u>1,985</u>	<u>31,557</u>	<u>13,859</u>	<u>35,881</u>
Total liabilities and fund balances	<u>\$ 8,929</u>	<u>\$ 31,557</u>	<u>\$ 842,949</u>	<u>\$ 208,033</u>

<u>LEP/ Immigrants</u>	<u>Title I</u>	<u>Chapter II</u>	<u>Drug Free School Grant</u>	<u>Preschool Grant for the Handicapped</u>	<u>Special Trust</u>
\$ 4,875	\$ 25,720	\$ 22,541	\$ 1	\$ 24,522	\$ 270,084
-	-	-	-	-	3,425
3,604	43,664	21,971	-	7,370	-
-	-	-	-	-	-
<u>\$ 8,479</u>	<u>\$ 69,384</u>	<u>\$ 44,512</u>	<u>\$ 1</u>	<u>\$ 31,892</u>	<u>\$ 273,509</u>
\$ -	\$ 2,416	\$ 18,003	\$ -	\$ 11,606	\$ 4,440
-	23,024	2,145	-	-	-
-	6,788	513	-	-	-
-	6,066	565	-	-	-
3,603	6,228	17,395	-	7,353	1,688
-	9,423	17,833	-	-	-
<u>3,603</u>	<u>53,945</u>	<u>56,454</u>	<u>-</u>	<u>18,959</u>	<u>6,128</u>
-	-	-	-	-	-
4,875	11,769	4,538	-	12,900	54,920
<u>1</u>	<u>3,670</u>	<u>(16,480)</u>	<u>1</u>	<u>33</u>	<u>212,461</u>
<u>4,876</u>	<u>15,439</u>	<u>(11,942)</u>	<u>1</u>	<u>12,933</u>	<u>267,381</u>
<u>\$ 8,479</u>	<u>\$ 69,384</u>	<u>\$ 44,512</u>	<u>\$ 1</u>	<u>\$ 31,892</u>	<u>\$ 273,509</u>

Continued

Mentor Exempted Village School District

Combining Balance Sheet Nonmajor Special Revenue Funds (continued)

June 30, 2004

	<u>E-Rate Reimbursement</u>	<u>Classroom Reduction</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue</u>
Assets:				
Equity in pooled cash and investments	\$ 108,858	\$ 10,990	\$ 7,526	\$ 1,488,844
Accounts receivable	-	-	-	3,425
Intergovernmental receivable	-	31,221	7,075	700,989
Prepays and other assets	-	-	-	1,825
Total assets	<u>\$ 108,858</u>	<u>\$ 42,211</u>	<u>\$ 14,601</u>	<u>\$ 2,195,083</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 1,965	\$ 3,221	\$ 3,848	\$ 505,661
Accrued wages and benefits	-	15,960	-	91,018
Intergovernmental payable	-	4,671	34	26,714
Accrued pension	-	4,205	-	23,979
Interfund payable	-	-	7,075	533,775
Deferred revenue	-	-	-	248,586
Total liabilities	<u>1,965</u>	<u>28,057</u>	<u>10,957</u>	<u>1,429,733</u>
Fund balances:				
Reserve for prepaid items	-	-	-	1,825
Reserve for encumbrances	16,725	1,205	3,679	461,136
Unreserved; undesignated (deficit)	<u>90,168</u>	<u>12,949</u>	<u>(35)</u>	<u>302,389</u>
Total fund balances	<u>106,893</u>	<u>14,154</u>	<u>3,644</u>	<u>765,350</u>
Total liabilities and fund balances	<u>\$ 108,858</u>	<u>\$ 42,211</u>	<u>\$ 14,601</u>	<u>\$ 2,195,083</u>

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Mentor Exempted Village School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For The Fiscal Year Ended June 30, 2004

	<u>Other Grants</u>	<u>Venture Capital Grant</u>	<u>Athletic DMSA</u>	<u>Auxiliary Services</u>
Revenues:				
Intergovernmental	\$ 214,850	\$ -	\$ -	\$ 1,135,660
Earnings on investments	-	-	100	1,227
Food service	-	-	-	-
Extracurricular activities	-	-	245,392	-
Miscellaneous revenue	-	-	45,605	-
Total revenues	<u>214,850</u>	<u>-</u>	<u>291,097</u>	<u>1,136,887</u>
Expenditures:				
Current:				
Instruction:				
Regular education	205,824	-	-	-
Special education	-	-	-	-
Adult/continuing education	-	-	-	-
Vocational education	-	-	-	-
Support services:				
Pupil	-	-	-	-
Instructional staff	-	-	-	-
Administration	-	-	-	-
Fiscal	-	-	-	-
Operations and maintenance of plant	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	-	-	-
Community service	-	-	-	1,131,449
Extracurricular activities	-	-	312,283	-
Total expenditures	<u>205,824</u>	<u>-</u>	<u>312,283</u>	<u>1,131,449</u>
Excess of revenues over (under) expenditures	<u>9,026</u>	<u>-</u>	<u>(21,186)</u>	<u>5,438</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers – in	-	-	76,000	-
Refund of prior year expenditures	-	-	4,048	-
Refund of prior years receipts	-	-	-	-
Transfers – out	-	(41)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(41)</u>	<u>80,048</u>	<u>-</u>
Net change in fund balance	9,026	(41)	58,862	5,438
Fund balance (deficit), beginning of year	<u>(9,026)</u>	<u>42</u>	<u>25,848</u>	<u>54,698</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 84,710</u>	<u>\$ 60,136</u>

<u>Early Childhood Education</u>	<u>Management Information System</u>	<u>ONE net Ohio Program</u>	<u>SchoolNet Professional Development</u>	<u>OhioReads</u>	<u>Summer Intervention</u>
\$ -	\$ 35,709	\$ 48,000	\$ 6,750	\$ 127,000	\$ 178,683
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>35,709</u>	<u>48,000</u>	<u>6,750</u>	<u>127,000</u>	<u>178,683</u>
-	-	-	3,362	95,660	121,691
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,169	-
-	-	-	-	16,504	6,951
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	97,066	97,667	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>97,066</u>	<u>97,667</u>	<u>3,362</u>	<u>116,333</u>	<u>128,642</u>
<u>-</u>	<u>(61,357)</u>	<u>(49,667)</u>	<u>3,388</u>	<u>10,667</u>	<u>50,041</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(8,081)	-
<u>(238)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(238)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,081)</u>	<u>-</u>
(238)	(61,357)	(49,667)	3,388	2,586	50,041
<u>239</u>	<u>87,614</u>	<u>60,507</u>	<u>3,363</u>	<u>27,366</u>	<u>-</u>
\$ <u><u>1</u></u>	\$ <u><u>26,257</u></u>	\$ <u><u>10,840</u></u>	\$ <u><u>6,751</u></u>	\$ <u><u>29,952</u></u>	\$ <u><u>50,041</u></u>

Continued

Mentor Exempted Village School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds (continued)

For The Fiscal Year Ended June 30, 2004

	Vocational Education Enhancement	Miscellaneous State Grants	Title VI-B	Vocational Education
Revenues:				
Intergovernmental	\$ 5,132	\$ 70,458	\$ 1,500,016	\$ 582,314
Earnings on investments	-	-	-	-
Food service	-	-	-	-
Extracurricular activities	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total revenues	<u>5,132</u>	<u>70,458</u>	<u>1,500,016</u>	<u>582,314</u>
Expenditures:				
Current:				
Instruction:				
Regular education	-	8,910	-	-
Special education	-	4,299	506,576	-
Adult/continuing education	-	-	-	-
Vocational education	3,147	-	-	141,418
Support services:				
Pupil	-	58,848	523,175	200,086
Instructional staff	-	-	59,181	5,023
Administration	-	-	268,112	38,431
Fiscal	-	-	-	-
Operations and maintenance of plant	-	-	-	-
Pupil transportation	-	-	7,341	3,000
Central	-	-	-	52,959
Community service	-	10,291	67,016	-
Extracurricular activities	-	-	-	-
Total expenditures	<u>3,147</u>	<u>82,348</u>	<u>1,431,401</u>	<u>440,917</u>
Excess of revenues over (under) expenditures	<u>1,985</u>	<u>(11,890)</u>	<u>68,615</u>	<u>141,397</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers – in	-	-	-	-
Refund of prior year expenditures	-	-	-	-
Refund of prior years receipts	-	(4,611)	(186)	-
Transfers – out	-	-	-	(47,658)
Total other financing sources (uses)	<u>-</u>	<u>(4,611)</u>	<u>(186)</u>	<u>(47,658)</u>
Net change in fund balance	1,985	(16,501)	68,429	93,739
Fund balance (deficit), beginning of year	<u>-</u>	<u>48,058</u>	<u>(54,570)</u>	<u>(57,858)</u>
Fund balance (deficit), end of year	\$ <u>1,985</u>	\$ <u>31,557</u>	\$ <u>13,859</u>	\$ <u>35,881</u>

<u>LEP/ Immigrants</u>	<u>Title I</u>	<u>Chapter II</u>	<u>Drug Free Schools Grant</u>	<u>Preschool Grant for the Handicapped</u>	<u>Special Trust</u>
\$ 40,323	\$ 485,992	\$ 103,231	\$ 33,525	\$ 77,351	\$ -
-	-	-	-	-	618
-	-	-	-	-	78,968
-	-	-	-	-	31,137
-	-	-	-	-	154,644
<u>40,323</u>	<u>485,992</u>	<u>103,231</u>	<u>33,525</u>	<u>77,351</u>	<u>265,367</u>
-	9,880	49,444	541	-	51,359
34,473	357,295	-	(3,920)	28,011	7,874
-	-	-	-	-	7,046
-	-	-	-	-	14,004
-	35,243	14,230	34,882	3,236	1,059
-	34,428	34,687	-	22,071	6,954
-	6,172	-	-	-	(10,490)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	709	-	-	149
-	-	-	-	-	43,188
-	-	14,278	-	-	66,458
-	-	-	-	-	8,631
<u>34,473</u>	<u>443,018</u>	<u>113,348</u>	<u>31,503</u>	<u>53,318</u>	<u>196,232</u>
<u>5,850</u>	<u>42,974</u>	<u>(10,117)</u>	<u>2,022</u>	<u>24,033</u>	<u>69,135</u>
-	-	-	-	-	38
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(429)
-	-	-	-	-	-
-	-	-	-	-	(391)
5,850	42,974	(10,117)	2,022	24,033	68,744
(974)	(27,535)	(1,825)	(2,021)	(11,100)	198,637
<u>\$ 4,876</u>	<u>\$ 15,439</u>	<u>\$ (11,942)</u>	<u>\$ 1</u>	<u>\$ 12,933</u>	<u>\$ 267,381</u>

Continued

Mentor Exempted Village School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds (continued)

For The Fiscal Year Ended June 30, 2004

	E-rate Reimbursement	Classroom Reduction	Miscellaneous Federal grants	Total Nonmajor Special Revenues
Revenues:				
Intergovernmental	\$ 54,754	\$ 366,388	\$ 11,867	\$ 5,078,003
Earnings on investments	-	-	-	1,945
Food service	-	-	-	78,968
Extracurricular activities	-	-	-	276,529
Miscellaneous revenue	-	-	-	200,249
Total revenues	<u>54,754</u>	<u>366,388</u>	<u>11,867</u>	<u>5,635,694</u>
Expenditures:				
Current:				
Instruction:				
Regular education	-	338,122	6,707	891,500
Special education	-	-	-	934,608
Adult/continuing education	-	-	-	7,046
Vocational education	-	-	-	158,569
Support services:				
Pupil	-	-	-	874,928
Instructional staff	-	13,460	914	200,173
Administration	-	-	-	302,225
Fiscal	1,965	-	-	1,965
Operations and maintenance - plant	3,775	-	-	3,775
Pupil transportation	-	-	-	11,199
Central	-	-	-	290,880
Community service	-	-	239	1,289,731
Extracurricular activities	-	-	-	320,914
Total expenditures	<u>5,740</u>	<u>351,582</u>	<u>7,860</u>	<u>5,287,513</u>
Excess of revenues over (under) expenditures	<u>49,014</u>	<u>14,806</u>	<u>4,007</u>	<u>348,181</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	-	38
Transfers - in	-	-	-	76,000
Refund of prior year expenditures	-	-	-	4,048
Refund of prior years receipts	-	-	(2,475)	(15,782)
Transfers - out	-	-	-	(47,937)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,475)</u>	<u>16,367</u>
Net change in fund balance	49,014	14,806	1,532	364,548
Fund balance (deficit), beginning of year	<u>57,879</u>	<u>(652)</u>	<u>2,112</u>	<u>400,802</u>
Fund balance (deficit), end of year	<u>\$ 106,893</u>	<u>\$ 14,154</u>	<u>\$ 3,644</u>	<u>\$ 765,350</u>

Mentor Exempted Village School District

Combining Balance Sheet Nonmajor Capital Projects Funds

June 30, 2004

	<u>Permanent Improvement</u>	<u>Building</u>	<u>Replacement</u>	<u>School Net Plus</u>	<u>Total Nonmajor Capital Projects</u>
Assets:					
Equity in pooled cash and investments	\$ 605,187	\$ 30	\$ 28	\$ -	\$ 605,245
Taxes receivable	<u>1,016,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,016,686</u>
Total assets	<u>\$ 1,621,873</u>	<u>\$ 30</u>	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ 1,621,931</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 13,275	\$ -	\$ -	\$ -	\$ 13,275
Deferred revenue	886,052	-	-	-	886,052
Accrued interest payable	1,000	14,500	-	-	15,500
Notes payable	<u>250,000</u>	<u>1,160,000</u>	<u>-</u>	<u>-</u>	<u>1,410,000</u>
Total liabilities	<u>1,150,327</u>	<u>1,174,500</u>	<u>-</u>	<u>-</u>	<u>2,324,827</u>
Fund balance:					
Reserve for encumbrances	16,261	-	-	-	16,261
Reserve for property taxes	130,634	-	-	-	130,634
Unreserved, undesignated (deficit)	<u>324,651</u>	<u>(1,174,470)</u>	<u>28</u>	<u>-</u>	<u>(849,791)</u>
Total fund balance (deficit)	<u>471,546</u>	<u>(1,174,470)</u>	<u>28</u>	<u>-</u>	<u>(702,896)</u>
 Total liabilities and fund balance	 <u>\$ 1,621,873</u>	 <u>\$ 30</u>	 <u>\$ 28</u>	 <u>\$ -</u>	 <u>\$ 1,621,931</u>

Mentor Exempted Village School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Capital Projects Funds

For The Fiscal Year Ended June 30, 2004

	<u>Permanent Improvement</u>	<u>Building</u>	<u>Replacement</u>	<u>School Net Plus</u>	<u>Total Nonmajor Capital Projects</u>
Revenues:					
Taxes	\$ 963,442	\$ -	\$ -	\$ -	\$ 963,442
Intergovernmental	101,833	-	-	-	101,833
Earnings on investments	3,526	657	-	-	4,183
Miscellaneous revenue	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
Total revenue	<u>1,068,901</u>	<u>657</u>	<u>-</u>	<u>-</u>	<u>1,069,558</u>
Expenditures:					
Current:					
Instruction:					
Regular education	-	-	-	55,335	55,335
Support services:					
Fiscal	20,456	-	-	-	20,456
Operations and maintenance of plant	542,997	1,160,657	-	-	1,703,654
Debt service:					
Interest and fiscal charges	<u>1,000</u>	<u>19,875</u>	<u>-</u>	<u>-</u>	<u>20,875</u>
Total expenditures	<u>564,453</u>	<u>1,180,532</u>	<u>-</u>	<u>55,335</u>	<u>1,800,320</u>
Excess of revenues over (under)					
Expenditures	<u>504,448</u>	<u>(1,179,875)</u>	<u>-</u>	<u>(55,335)</u>	<u>(730,762)</u>
Other financing sources (uses):					
Transfers – in	-	506,450	-	-	506,450
Transfers – out	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Total other financing sources (uses)	<u>(250,000)</u>	<u>506,450</u>	<u>-</u>	<u>-</u>	<u>256,450</u>
Net change in fund balance	254,448	(673,425)	-	(55,335)	(474,312)
Fund balance (deficit), beginning of year	<u>217,098</u>	<u>(501,045)</u>	<u>28</u>	<u>55,335</u>	<u>(228,584)</u>
Fund balance (deficit), end of year	\$ <u>471,546</u>	\$ <u>(1,174,470)</u>	\$ <u>28</u>	\$ <u>-</u>	\$ <u>(702,896)</u>

Mentor Exempted Village School District

Combining Statement of Fund Net Assets Nonmajor Enterprise Funds

June 30, 2004

	<u>Food Service</u>	<u>Uniform Supply</u>	<u>Adult Education</u>	<u>Rotary Fund</u>	<u>Recreation</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets:						
Current assets:						
Equity in pooled cash and investments	\$ 30,004	\$ 207,846	\$ 106,703	\$ 5,567	\$ -	\$ 350,120
Intergovernmental receivable	51,635	-	-	-	-	51,635
Materials and supplies inventory	17,165	-	-	-	-	17,165
Interfund receivable	<u>23,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,673</u>
Total current assets	122,477	207,846	106,703	5,567	-	442,593
Non-current assets:						
Depreciable capital assets, net	<u>445,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,838</u>	<u>447,325</u>
Total assets	<u>567,964</u>	<u>207,846</u>	<u>106,703</u>	<u>5,567</u>	<u>1,838</u>	<u>889,918</u>
Liabilities:						
Current liabilities:						
Accounts payable	6,786	75,643	4,264	-	-	86,693
Accrued wages and benefits	76,772	-	-	-	-	76,772
Intergovernmental payable	9,416	-	-	-	-	9,416
Accrued pension	47,179	-	84	-	-	47,263
Accrued interest payable	714	-	-	-	-	714
Interfund payable	2,753	-	-	-	-	2,753
Current portion of capital lease	<u>21,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,069</u>
Total current liabilities	164,689	75,643	4,348	-	-	244,680
Long-term liabilities:						
Capital lease	<u>115,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,395</u>
Total liabilities	<u>280,084</u>	<u>75,643</u>	<u>4,348</u>	<u>-</u>	<u>-</u>	<u>360,075</u>
Net assets:						
Invested in capital assets, net of related debt	309,023	-	-	-	1,838	310,861
Unreserved (deficit)	<u>(21,143)</u>	<u>132,203</u>	<u>102,355</u>	<u>5,567</u>	<u>-</u>	<u>218,982</u>
Total net assets	<u>\$ 287,880</u>	<u>\$ 132,203</u>	<u>\$ 102,355</u>	<u>\$ 5,567</u>	<u>\$ 1,838</u>	<u>\$ 529,843</u>

Mentor Exempted Village School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances in Fund Net Assets Nonmajor Enterprise Funds

For The Fiscal Year Ended June 30, 2004

	Food Service	Uniform Supply	Adult Education	Rotary Fund	Recreation	Total Nonmajor Enterprise Funds
Operating revenues:						
Tuition and fees	\$ -	\$ 288,667	\$ 114,357	\$ 5,623	\$ -	\$ 408,647
Extracurricular activities	-	-	2,101	-	-	2,101
Sales	1,967,992	-	70	-	-	1,968,062
Miscellaneous revenue	<u>2,500</u>	<u>-</u>	<u>1,618</u>	<u>-</u>	<u>119,121</u>	<u>123,239</u>
Total operating revenues	<u>1,970,492</u>	<u>288,667</u>	<u>118,146</u>	<u>5,623</u>	<u>119,121</u>	<u>2,502,049</u>
Operating expenses:						
Salaries and wages	940,324	-	84,791	6,424	-	1,031,539
Fringe benefits	429,361	-	8,636	981	-	438,978
Contractual services	118,579	-	4,042	3,778	-	126,399
Materials and supplies	1,187,607	363,205	936	1,162	-	1,552,910
Other operating expenses	2,753	-	29,248	-	143,733	175,734
Depreciation expense	<u>24,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,995</u>
Total operating expenses	<u>2,703,619</u>	<u>363,205</u>	<u>127,653</u>	<u>12,345</u>	<u>143,733</u>	<u>3,350,555</u>
Operating income (loss)	<u>(733,127)</u>	<u>(74,538)</u>	<u>(9,507)</u>	<u>(6,722)</u>	<u>(24,612)</u>	<u>(848,506)</u>
Non-operating revenues (expenses):						
Federal donated commodities	145,886	-	-	-	-	145,886
Intergovernmental revenue	456,816	-	220	-	-	457,036
Interest and fiscal charges	1,173	-	-	-	-	1,173
Other non-operating revenues	<u>104</u>	<u>282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>386</u>
Total non-operating revenues (expenses)	<u>603,979</u>	<u>282</u>	<u>220</u>	<u>-</u>	<u>-</u>	<u>604,481</u>
Income (loss) before transfers	(129,148)	(74,256)	(9,287)	(6,722)	(24,612)	(244,025)
Transfers – in	<u>-</u>	<u>-</u>	<u>13,224</u>	<u>20,500</u>	<u>-</u>	<u>33,724</u>
Change in net assets	(129,148)	(74,256)	3,937	13,778	(24,612)	(210,301)
Net assets (deficit), beginning of year	<u>417,028</u>	<u>206,459</u>	<u>98,418</u>	<u>(8,211)</u>	<u>26,450</u>	<u>740,144</u>
Net assets (deficit), end of year	\$ <u>287,880</u>	\$ <u>132,203</u>	\$ <u>102,355</u>	\$ <u>5,567</u>	\$ <u>1,838</u>	\$ <u>529,843</u>

Mentor Exempted Village School District

Combining Statement of Cash Flows Nonmajor Enterprise Funds

For The Fiscal Year Ended June 30, 2004

	<u>Food Service</u>	<u>Uniform Supply</u>	<u>Adult Education</u>	<u>Rotary Fund</u>	<u>Recreation</u>	<u>Total Nonmajor Enterprise Funds</u>
Increase (decrease) in cash and cash equivalents:						
Cash flows from operating activities:						
Cash received from customers	\$ 1,944,319	\$ -	\$ 3,789	\$ -	\$ 119,121	\$ 2,067,229
Cash received from tuition payments	-	-	114,357	5,623	-	119,980
Cash payments received from classroom materials and fees	-	288,667	-	-	-	288,667
Cash payments for contractual services	(129,068)	-	(5,793)	(3,778)	-	(138,639)
Cash payments for materials and supplies	(995,154)	(310,701)	(494)	(1,162)	-	(1,307,511)
Cash payments to employees for services	(938,776)	-	(89,952)	(6,424)	-	(1,035,152)
Cash payments for employee benefits	(451,620)	-	(12,034)	(981)	-	(464,635)
Cash payments for other operating expenses	-	-	(29,249)	-	(143,733)	(172,982)
<i>Net cash used for operating activities</i>	<u>(570,299)</u>	<u>(22,034)</u>	<u>(19,376)</u>	<u>(6,722)</u>	<u>(24,612)</u>	<u>(643,043)</u>
Cash flows from noncapital financing activities:						
Operating grants received	405,181	-	220	-	-	405,401
Non operating revenues	2,500	282	-	-	-	2,782
Advances in	20,347	229,598	112,635	-	24,612	387,192
Advances out	-	-	-	(8,211)	-	(8,211)
Transfers in	-	-	13,224	20,500	-	33,724
<i>Net cash provided by noncapital financing activities</i>	<u>428,028</u>	<u>229,880</u>	<u>126,079</u>	<u>12,289</u>	<u>24,612</u>	<u>820,888</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(29,273)	-	-	-	-	(29,273)
Principal payment on capital lease	(19,790)	-	-	-	-	(19,790)
<i>Net cash used for capital and related financing activities</i>	<u>(49,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,063)</u>
Cash flows from investing activities:						
Interest received	1,173	-	-	-	-	1,173
Net increase (decrease) in cash and cash equivalents	(190,161)	207,846	106,703	5,567	-	129,955
Cash and cash equivalents, beginning of year	220,165	-	-	-	-	220,165
Cash and cash equivalents, end of year	<u>\$ 30,004</u>	<u>\$ 207,846</u>	<u>\$ 106,703</u>	<u>\$ 5,567</u>	<u>\$ -</u>	<u>\$ 350,120</u>

Continued

Mentor Exempted Village School District

Combining Statement of Cash Flows Nonmajor Enterprise Funds (continued)

For The Fiscal Year Ended June 30, 2004

	<u>Food Service</u>	<u>Uniform Supply</u>	<u>Adult Education</u>	<u>Rotary Fund</u>	<u>Recreation</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of net income loss to net cash from operating activities:						
Operating loss	\$ (735,627)	\$ (74,538)	\$ (9,507)	\$ (6,722)	\$ (24,612)	\$ (851,006)
Adjustments:						
Depreciation	24,995	-	-	-	-	24,995
Federal donated commodities	145,886	-	-	-	-	145,886
Changes in assets/liabilities:						
Increase in interfund receivable	(23,673)	-	-	-	-	(23,673)
Decrease in inventory	71,227	-	-	-	-	71,227
Increase (decrease) in accounts payable	(35,149)	52,504	(1,309)	-	-	16,046
(Decrease) in accrued wages and benefits	(61,844)	-	(6,666)	-	-	(68,510)
Increase in intergovernmental payable	9,416	-	-	-	-	9,416
Increase (decrease) in accrued pension	31,717	-	(1,894)	-	-	29,823
Increase in interfund payable	<u>2,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,753</u>
Total adjustments:	<u>165,328</u>	<u>52,504</u>	<u>(9,869)</u>	<u>-</u>	<u>-</u>	<u>207,963</u>
Net cash used for operating activities:	\$ <u>(570,299)</u>	\$ <u>(22,034)</u>	\$ <u>(19,376)</u>	\$ <u>(6,722)</u>	\$ <u>(24,612)</u>	\$ <u>(643,043)</u>

Mentor Exempted Village School District

Combining Statement of Changes in Assets and Liabilities All Agency Funds

For The Fiscal Year Ended June 30, 2004

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/04</u>
Student Activities:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ <u>442,197</u>	\$ <u>99,689</u>	\$ <u>(35,581)</u>	\$ <u>506,305</u>
Liabilities:				
Accounts Payable	\$ 30,384	\$ 7,175	\$ -	\$ 37,559
Due to Students	<u>411,813</u>	<u>56,933</u>	<u>-</u>	<u>468,746</u>
Total Liabilities	\$ <u>442,197</u>	\$ <u>64,108</u>	\$ <u>-</u>	\$ <u>506,305</u>

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Mentor Exempted Village School District

Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual

Mentor Exempted Village School District

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 56,937,348	\$ 58,271,497	\$ 53,322,749	\$ (4,948,748)
Intergovernmental	9,979,725	14,546,022	23,626,727	9,080,705
Tuition	298,508	435,093	706,710	271,617
Transportation	49,151	71,641	116,364	44,723
Earnings on investments	36,075	52,582	85,407	32,825
Extracurricular activities	66,448	96,852	157,315	60,463
Miscellaneous	47,184	68,771	111,703	42,932
Total revenues	<u>67,414,439</u>	<u>73,542,458</u>	<u>78,126,975</u>	<u>4,584,517</u>
Expenditures:				
Current:				
Instruction:				
Regular education	20,944,904	39,928,725	39,814,402	114,323
Special education	4,165,563	8,741,948	8,613,146	128,802
Vocational education	1,605,618	2,786,888	2,800,455	(13,567)
Other instruction	1,569,569	1,904,152	1,892,692	11,460
Support services:				
Pupils	2,733,032	5,089,974	5,040,106	49,868
Instructional staff	2,357,963	4,996,084	4,972,933	23,151
Board of education	335,956	597,815	517,806	80,009
Administration	2,816,009	5,056,870	5,027,594	29,276
Fiscal services	1,287,541	2,181,056	2,040,817	140,239
Business	365,071	674,966	662,213	12,753
Operation and maintenance – plant	6,626,712	8,556,008	8,126,625	429,383
Pupil transportation	2,713,447	5,721,741	5,644,217	77,524
Central services	878,072	1,201,808	1,077,660	124,148
Community services	60,001	70,558	70,558	-
Extracurricular activities:				
Subject oriented	551,000	1,227,310	199,331	1,027,979
Occupations oriented	-	-	4,723	(4,723)
Sports activities	10,915	11,723	818,370	(806,647)
Co-curricular activities	-	-	216,608	(216,608)
Debt service:				
Principal	5,000,000	15,000,000	15,000,000	-
Interest	100,000	267,969	267,969	-
Total expenditures	<u>54,121,373</u>	<u>104,015,595</u>	<u>102,808,225</u>	<u>1,207,370</u>
Excess of revenues over (under)expenditures	<u>13,293,066</u>	<u>(30,473,137)</u>	<u>(24,681,250)</u>	<u>5,791,887</u>

Continued

Mentor Exempted Village School District

General Fund (continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers – in	24,953	36,369	59,074	22,705
Sale and loss of assets	6,964	10,150	16,487	6,337
Proceeds from sale of notes	31,252,097	33,417,615	29,480,000	(3,937,615)
Refund of prior year expenditures	36,095	52,611	85,455	32,844
Transfers – out	(43,091,663)	(1,699,295)	(1,532,816)	166,479
Advances – out	-	(765,490)	(765,490)	-
Refund prior year receipts	(144)	(768)	(224)	544
Total other financing sources (uses)	<u>(11,771,698)</u>	<u>31,051,192</u>	<u>27,342,486</u>	<u>(3,708,706)</u>
Net changes in fund balance	1,521,368	578,055	2,661,236	2,083,181
Fund balance at beginning of year	(4,521,368)	(4,521,368)	(4,521,368)	-
Prior year encumbrances appropriated	<u>1,943,313</u>	<u>1,943,313</u>	<u>1,943,313</u>	<u>-</u>
Fund balance at end of year	\$ <u>(1,056,687)</u>	\$ <u>(2,000,000)</u>	\$ <u>83,181</u>	\$ <u>2,083,181</u>

Mentor Exempted Village School District

Other Grants – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ <u>412,238</u>	\$ <u>421,263</u>	\$ <u>214,850</u>	\$ <u>(206,413)</u>
Expenditures:				
Current:				
Instruction:				
Regular education	<u>403,212</u>	<u>412,237</u>	<u>205,824</u>	<u>206,413</u>
Net change in fund balance	9,026	9,026	9,026	-
Fund balance at beginning of year	(11,002)	(11,002)	(11,002)	-
Expenditures against prior year encumbrances	<u>1,976</u>	<u>1,976</u>	<u>1,976</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Mentor Exempted Village School District

Venture Capital – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Transfers – out	\$ <u>(41)</u>	\$ <u>(41)</u>	\$ <u>41</u>	\$ <u>-</u>
Net change in fund balance	(41)	(41)	(41)	-
Fund balance at beginning of year	<u>41</u>	<u>41</u>	<u>41</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Mentor Exempted Village School District

Athletic – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Earnings on investments	\$ 94	\$ 155	\$ 100	\$ (55)
Extracurricular activities	431,412	380,176	245,392	(134,784)
Miscellaneous	<u>68,007</u>	<u>70,654</u>	<u>45,605</u>	<u>(25,049)</u>
Total revenues	<u>499,513</u>	<u>450,985</u>	<u>291,097</u>	<u>(159,888)</u>
Expenditures:				
Current:				
Support services:				
Sports oriented	<u>620,562</u>	<u>549,211</u>	<u>360,272</u>	<u>188,939</u>
Excess of revenues over (under) expenditures	<u>(121,049)</u>	<u>(98,226)</u>	<u>(69,175)</u>	<u>29,051</u>
Other financing sources (uses):				
Transfers – in	71,670	117,744	76,000	(41,744)
Refund of prior year expenditures	<u>3,817</u>	<u>6,271</u>	<u>4,048</u>	<u>(2,223)</u>
Total other financing sources (uses)	<u>75,487</u>	<u>124,015</u>	<u>80,048</u>	<u>(43,967)</u>
Net changes in fund balance	(45,562)	25,789	10,873	(14,916)
Fund balance at beginning of year	(42,898)	(42,898)	(42,898)	-
Expenditures against prior year encumbrances	<u>88,460</u>	<u>88,460</u>	<u>88,460</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	\$ <u>71,351</u>	\$ <u>56,435</u>	\$ <u>(14,916)</u>

Mentor Exempted Village School District

Auxiliary Service – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Earnings on investments	\$ 1,187	\$ 1,227	\$ 1,227	\$ -
Intergovernmental	1,098,020	1,135,724	1,135,660	(64)
Total revenues	<u>1,099,207</u>	<u>1,136,951</u>	<u>1,136,887</u>	<u>(64)</u>
Expenditures:				
Current:				
Support services:				
Community services	<u>1,210,206</u>	<u>1,247,886</u>	<u>1,221,068</u>	<u>26,818</u>
Net change in fund balance	(110,999)	(110,935)	(84,181)	26,754
Fund balance at beginning of year	30	30	30	-
Expenditures against prior year encumbrances	<u>110,969</u>	<u>110,969</u>	<u>110,969</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	\$ <u>64</u>	\$ <u>26,818</u>	\$ <u>26,754</u>

Mentor Exempted Village School District

Early Childhood – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers – out	\$ (238)	\$ (238)	\$ (238)	\$ -
Net change in fund balance	(238)	(238)	(238)	-
Fund balance at beginning of year	<u>238</u>	<u>238</u>	<u>238</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Mentor Exempted Village School District

Management Information Systems – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ <u>7,204</u>	\$ <u>21,613</u>	\$ <u>35,709</u>	\$ <u>14,096</u>
Expenditures:				
Current:				
Support services:				
Central	<u>94,818</u>	<u>109,227</u>	<u>97,066</u>	<u>12,161</u>
Net change in fund balance	(87,614)	(87,614)	(61,357)	26,257
Fund balance at beginning of year	24,560	24,560	24,560	-
Expenditures against prior year encumbrances	<u>63,054</u>	<u>63,054</u>	<u>63,054</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>26,257</u></u>	\$ <u><u>26,257</u></u>

Mentor Exempted Village School District

OneNet Ohio Program – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 48,000	\$ 48,000	\$ -
Expenditures:				
Current:				
Support services:				
Central	60,631	108,631	98,913	9,718
Net change in fund balance	(60,631)	(60,631)	(50,913)	9,718
Fund balance at beginning of year	20,850	20,850	20,850	-
Expenditures against prior year encumbrances	39,781	39,781	39,781	-
Fund balance at end of year	\$ -	\$ -	\$ 9,718	\$ 9,718

Mentor Exempted Village School District

Schoolnet Professional Development – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ <u> -</u>	\$ <u> 6,750</u>	\$ <u> 6,750</u>	\$ <u> -</u>
Expenditures:				
Current:				
Instruction:				
Regular education	<u> 5,593</u>	<u> 12,343</u>	<u> 5,593</u>	<u> 6,750</u>
Net change in fund balance	(5,593)	(5,593)	1,157	6,750
Fund balance at beginning of year	3,138	3,138	3,138	-
Expenditures against prior year encumbrances	<u> 2,455</u>	<u> 2,455</u>	<u> 2,455</u>	<u> -</u>
Fund balance at end of year	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 6,750</u>	\$ <u> 6,750</u>

Mentor Exempted Village School District

Ohio Reads – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 84,000	\$ 127,000	\$ 127,000	\$ -
Expenditures:				
Current:				
Instruction:				
Regular education	108,696	145,002	144,244	758
Support services:				
Pupils	3,142	4,191	4,169	22
Instructional staff	16,901	22,546	22,428	118
Total expenditures	128,739	171,739	170,841	898
Excess of revenues over (under) expenditures	(44,739)	(44,739)	(43,841)	898
Other financing sources (uses):				
Refund of prior year's receipts	(8,081)	(8,081)	(8,081)	-
Net change in fund balance	(52,820)	(52,820)	(51,922)	898
Fund balance at beginning of year	6,181	6,181	6,181	-
Expenditures against prior year encumbrances	46,639	46,639	46,639	-
Fund balance at end of year	\$ -	\$ -	\$ 898	\$ 898

Mentor Exempted Village School District

Summer Intervention – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 121,958	\$ 121,958	\$ 92,837	\$ (29,121)
Expenditures:				
Current:				
Instruction:				
Regular	169,853	169,853	129,295	40,558
Support services:				
Instructional staff	9,131	9,131	6,951	2,180
Total expenditures	178,984	178,984	136,246	42,738
Excess of revenues over (under) expenditures	(57,026)	(57,026)	(43,409)	13,617
Other financing sources (uses):				
Advances – in	57,026	57,026	43,409	(13,617)
Net change in fund balance	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

Mentor Exempted Village School District

Vocational Education Enhancement – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,627	\$ 1,627	\$ 1,627	\$ -
Expenditures:				
Capital outlay	5,425	5,425	5,424	1
Excess of revenues over (under) expenditures	(3,798)	(3,798)	(3,797)	1
Other financing sources (uses):				
Advances – in	3,798	3,798	3,797	(1)
Net change in fund balance	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

Mentor Exempted Village School District

Miscellaneous State Grants – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 24,375	\$ 70,458	\$ 70,458	\$ -
Expenditures:				
Current:				
Instruction:				
Regular education	7,770	12,688	9,324	3,364
Special education	3,583	5,850	4,299	1,551
Support services:				
Pupils	49,043	80,082	58,848	21,234
Community services	8,576	14,004	10,291	3,713
Total expenditures	68,972	112,624	82,762	29,862
Excess of revenues over (under) expenditures	(44,597)	(42,166)	(12,304)	29,862
Other financing sources (uses):				
Refund of prior year's receipts	(3,844)	(6,275)	(4,611)	1,664
Net change in fund balance	(48,441)	(48,441)	(16,915)	31,526
Fund balance at beginning of year	39,996	39,996	39,996	-
Expenditures against prior year encumbrances	8,445	8,445	8,445	-
Fund balance at end of year	\$ -	\$ -	\$ 31,526	\$ 31,526

Mentor Exempted Village School District

Title VI-B – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,457,522	\$ 1,509,633	\$ 1,393,364	\$ (116,269)
Expenditures:				
Current:				
Instruction:				
Special education	802,499	807,769	790,634	17,135
Support services:				
Pupils	526,306	578,316	518,524	59,792
Instructional staff	85,230	96,165	83,970	12,195
Administration	276,076	281,351	271,994	9,357
Transportation	6,690	6,594	6,591	3
Community services	69,154	68,130	68,131	(1)
Total expenditures	<u>1,765,955</u>	<u>1,838,325</u>	<u>1,739,844</u>	<u>98,481</u>
Excess of revenues over (under) expenditures	<u>(308,433)</u>	<u>(328,692)</u>	<u>(346,480)</u>	<u>(17,788)</u>
Other financing sources (uses):				
Advance – in	286,998	357,181	329,672	(27,509)
Refund prior year receipts	<u>(186)</u>	<u>(186)</u>	<u>(186)</u>	<u>-</u>
Total other financing sources (uses)	<u>286,812</u>	<u>356,995</u>	<u>329,486</u>	<u>(27,509)</u>
Net change in fund balance	(21,621)	28,303	(16,994)	(45,297)
Fund balance at beginning of year	(462,951)	(462,951)	(462,951)	-
Expenditures against prior year encumbrances	<u>484,572</u>	<u>484,572</u>	<u>484,572</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	\$ <u>49,924</u>	\$ <u>4,627</u>	\$ <u>(45,297)</u>

Mentor Exempted Village School District

Vocational Education – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 493,849	\$ 520,111	\$ 514,314	\$ (5,797)
Expenditures:				
Current:				
Instruction:				
Vocational education	157,655	172,100	169,371	2,729
Support services:				
Pupils	191,780	209,532	206,032	3,500
Instructional staff	4,676	5,023	5,023	-
Administration	36,558	39,589	39,274	315
Transportation	2,792	3,000	3,000	-
Central	115,410	123,988	123,987	1
Total expenditures	508,871	553,232	546,687	6,545
Excess of revenues over (under) expenditures	(15,022)	(33,121)	(32,373)	748
Other financing sources (uses):				
Advances – in	45,714	67,110	66,362	(748)
Transfers – out	(44,361)	(47,658)	(47,658)	-
Total other financing sources (uses)	1,353	19,452	18,704	(748)
Net changes in fund balance	(13,669)	(13,669)	(13,669)	-
Fund balance at beginning of year	(142,691)	(142,691)	(142,691)	-
Expenditures against prior year encumbrances	156,360	156,360	156,360	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

Mentor Exempted Village School District

LEP/Immigrant Title III – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 37,498	\$ 54,271	\$ 39,020	\$ (15,251)
Expenditures:				
Current:				
Instruction:				
Special education	38,800	42,404	42,403	1
Excess of revenues over (under) expenditures	(1,302)	11,867	(3,383)	(15,250)
Other financing sources (uses):				
Advances – in	1,522	-	3,603	3,603
Net changes in fund balance	220	11,867	220	(11,647)
Fund balance at beginning of year	(11,975)	(11,975)	(11,975)	-
Expenditures against prior year encumbrances	11,755	11,755	11,755	-
Fund balance at end of year	\$ -	\$ 11,647	\$ -	\$ (11,647)

Mentor Exempted Village School District

Title I – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 566,082	\$ 565,785	\$ 480,202	\$ (85,583)
Expenditures:				
Current:				
Instruction:				
Regular education	11,465	11,465	10,718	747
Special education	450,705	460,568	382,520	78,048
Support services:				
Pupils	38,540	38,306	36,160	2,146
Instructional staff	71,649	61,713	46,046	15,667
Administrative	7,008	7,009	6,172	837
Community services	479	-	-	-
Total expenditures	579,846	579,061	481,616	97,445
Excess of revenues over (under) expenditures	(13,764)	(13,276)	(1,414)	11,862
Other financing sources (uses):				
Advances – in	7,042	7,338	6,228	(1,110)
Net change in fund balance	(6,722)	(5,938)	4,814	10,752
Fund balance at beginning of year	(76,453)	(76,453)	(76,453)	-
Expenditures against prior year encumbrances	83,175	83,175	83,175	-
Fund balance at end of year	\$ -	\$ 784	\$ 11,536	\$ 10,752

Mentor Exempted Village School District

Chapter II – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 132,701	\$ 128,509	\$ 105,678	\$ (22,831)
Expenditures:				
Current:				
Instruction:				
Regular education	9,736	67,154	57,235	9,919
Special education	6,018	7,040	6,000	1,040
Support services:				
Pupils	6,427	16,696	14,230	2,466
Instructional staff	108,536	36,654	31,240	5,414
Transportation	-	832	709	123
Community services	19,940	17,195	14,654	2,541
Total expenditures	150,657	145,571	124,068	21,503
Excess of revenues over (under) expenditures	(17,956)	(17,062)	(18,390)	(1,328)
Other financing sources (uses):				
Advances – in	16,961	21,153	17,395	(3,758)
Net changes in fund balance	(995)	4,091	(995)	(5,086)
Fund balance at beginning of year	(16,608)	(16,608)	(16,608)	-
Expenditures against prior year encumbrances	17,603	17,603	17,603	-
Fund balance at end of year	\$ -	\$ 5,086	\$ -	\$ (5,086)

Mentor Exempted Village School District

Drug Free Schools – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 33,525	\$ 33,525	\$ 33,525	\$ -
Expenditures:				
Current:				
Instruction:				
Regular education	5,204	541	541	-
Support services:				
Pupils	18,989	34,883	34,883	-
Instructional staff	6,506	-	-	-
Transportation	1,755	-	-	-
Community services	2,970	-	-	-
Total expenditures	<u>35,424</u>	<u>35,424</u>	<u>35,424</u>	<u>-</u>
Net change in fund balance	(1,899)	(1,899)	(1,899)	-
Fund balance at beginning of year	(2,501)	(2,501)	(2,501)	-
Expenditures against prior year encumbrances	<u>4,400</u>	<u>4,400</u>	<u>4,400</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Mentor Exempted Village School District

Preschool Grant for the Handicapped – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 73,432	\$ 75,462	\$ 75,447	\$ (15)
Expenditures:				
Current:				
Instruction:				
Special education	50,255	52,107	52,089	18
Support services:				
Pupils	-	3,312	3,295	17
Instructional staff	30,134	28,139	28,141	(2)
Total expenditures	80,389	83,558	83,525	33
Excess of revenues over (under) expenditures	(6,957)	(8,096)	(8,078)	18
Other financing sources (uses):				
Advances – in	6,216	7,355	7,353	(2)
Net changes in fund balance	(741)	(741)	(725)	16
Fund balance at beginning of year	(24,880)	(24,880)	(24,880)	-
Expenditures against prior year encumbrances	25,621	25,621	25,621	-
Fund balance at end of year	\$ -	\$ -	\$ 16	\$ 16

Mentor Exempted Village School District

Special Trust – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Food services	\$ 112,380	\$ 112,380	\$ 78,968	\$ (33,412)
Extracurricular activities	30,901	44,311	31,137	(13,174)
Earnings on investments	613	879	618	(261)
Miscellaneous	<u>235,573</u>	<u>221,665</u>	<u>155,762</u>	<u>(65,903)</u>
Total revenues	<u>379,467</u>	<u>379,235</u>	<u>266,485</u>	<u>(112,750)</u>
Expenditures:				
Current:				
Instruction:				
Regular education	136,230	98,209	65,754	32,455
Special education	16,705	9,061	8,063	998
Vocational education	29,014	14,006	14,004	2
Adult education	45,168	25,931	21,801	4,130
Support services:				
Pupils	3,091	6,495	1,492	5,003
Instructional staff	26,786	38,284	12,929	25,355
Administration	15,443	21,537	7,454	14,083
Transportation	309	300	149	151
Central	146,398	100,980	70,662	30,318
Food service operation	177,817	116,375	85,827	30,548
Community services	448	843	216	627
Extracurricular activities	<u>24,068</u>	<u>41,776</u>	<u>11,617</u>	<u>30,159</u>
Total expenditures	<u>621,477</u>	<u>473,797</u>	<u>299,968</u>	<u>173,829</u>
Excess of revenues over (under) expenses	<u>(242,010)</u>	<u>(94,562)</u>	<u>(33,483)</u>	<u>61,079</u>
Other financing sources (uses):				
Proceed from sale of notes	37	53	37	(16)
Advances – in	496	712	500	(212)
Refund prior year receipts	(889)	(429)	(429)	-
Advances – out	<u>(87)</u>	<u>(42)</u>	<u>(42)</u>	<u>-</u>
Total other financing sources (uses)	<u>(443)</u>	<u>294</u>	<u>66</u>	<u>(228)</u>
Net change in fund balance	(242,453)	(94,268)	(33,417)	60,851
Fund balance at beginning of year	<u>242,453</u>	<u>242,453</u>	<u>242,453</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	\$ <u>148,185</u>	\$ <u>209,036</u>	\$ <u>60,851</u>

Mentor Exempted Village School District

E-Rate Reimbursement – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 54,754	\$ 54,754
Expenditures:				
Current:				
Support services:				
Instructional staff	32,695	12,690	12,690	-
Fiscal services	15,458	6,000	6,000	-
Operating and maintenance – plant	9,726	39,189	3,775	35,414
Total expenditures	57,879	57,879	22,465	35,414
Net change in fund balance	(57,879)	(57,879)	32,289	90,168
Fund balance at beginning of year	57,879	57,879	57,879	-
Fund balance at end of year	\$ -	\$ -	\$ 90,168	\$ 90,168

Mentor Exempted Village School District

Classroom Reduction – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 433,179	\$ 433,179	\$ 335,167	\$ (98,012)
Expenditures:				
Current:				
Instruction:				
Regular education	398,066	423,997	328,157	95,840
Support services:				
Instructional staff	46,195	22,355	13,689	8,666
Community services	2,160	-	-	-
Total expenditures	<u>446,421</u>	<u>446,352</u>	<u>341,846</u>	<u>104,506</u>
Net change in fund balance	(13,242)	(13,173)	(6,679)	6,494
Fund balance at beginning of year	(3,122)	(3,122)	(3,122)	-
Expenditures against prior year encumbrances	<u>16,364</u>	<u>16,364</u>	<u>16,364</u>	-
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>69</u></u>	\$ <u><u>6,563</u></u>	\$ <u><u>6,494</u></u>

Mentor Exempted Village School District

Miscellaneous Federal Grants – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 16,174	\$ 8,260	\$ 5,871	\$ (2,389)
Expenditures:				
Current:				
Instruction:				
Regular education	8,634	9,263	7,363	1,900
Special education	4,154	4,154	4,154	-
Support services:				
Instructional staff	6,267	7,680	4,313	3,367
Community services	523	522	520	2
Total expenditures	19,578	21,619	16,350	5,269
Excess of revenues over (under) expenditures	(3,404)	(13,359)	(10,479)	2,880
Other financing sources (uses):				
Advances – in	-	9,955	7,075	(2,880)
Refund of prior year receipts	(2,475)	(2,475)	(2,475)	-
Total other financing sources (uses)	(2,475)	7,480	4,600	(2,880)
Net change in fund balance	(5,879)	(5,879)	(5,879)	-
Fund balance at beginning of year	2,039	2,039	2,039	-
Expenditures against prior year encumbrances	3,840	3,840	3,840	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

Mentor Exempted Village School District

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,724,361	\$ 1,731,725	\$ 1,614,362	\$ (117,363)
Intergovernmental	<u>182,539</u>	<u>182,539</u>	<u>181,079</u>	<u>(1,460)</u>
Total revenues	<u>1,906,900</u>	<u>1,914,264</u>	<u>1,795,441</u>	<u>(118,823)</u>
Expenditures:				
Current:				
Support services:				
Fiscal services	17,857	39,046	39,028	18
Debt service:				
Principal retirement	2,304,400	972,032	964,926	7,106
Interest and fiscal charges	<u>724,008</u>	<u>1,315,170</u>	<u>1,314,466</u>	<u>704</u>
Total expenditures	<u>3,046,265</u>	<u>2,326,248</u>	<u>2,318,420</u>	<u>7,828</u>
Excess of revenues over (under) expenditures	<u>(1,139,365)</u>	<u>(411,984)</u>	<u>(522,979)</u>	<u>(110,995)</u>
Other financing sources (uses):				
Interest on bond note	2,573	2,576	2,552	(24)
Proceeds from sale of note	252,015	252,015	250,000	(2,015)
Transfers – in	<u>11,156</u>	<u>141,242</u>	<u>256,414</u>	<u>115,172</u>
Total other financing sources (uses)	<u>265,744</u>	<u>395,833</u>	<u>508,966</u>	<u>113,133</u>
Net change in fund balances	(873,621)	(16,151)	(14,013)	2,138
Fund balance at beginning of year	<u>873,621</u>	<u>873,621</u>	<u>873,621</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	\$ <u>857,470</u>	\$ <u>859,608</u>	\$ <u>2,138</u>

Mentor Exempted Village School District

Permanent Improvement – Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,066,501	\$ 1,079,933	\$ 1,003,349	\$ (76,584)
Intergovernmental	-	-	101,833	101,833
Earnings on investments	-	-	3,526	3,526
Miscellaneous	-	-	100	100
Total revenues	<u>1,066,501</u>	<u>1,079,933</u>	<u>1,108,808</u>	<u>28,875</u>
Expenditures:				
Current:				
Support services:				
Fiscal services	35,059	31,140	20,457	10,683
Operation and maintenance – plant	<u>1,222,932</u>	<u>962,073</u>	<u>713,587</u>	<u>248,486</u>
Total expenditures	<u>1,257,991</u>	<u>993,213</u>	<u>734,044</u>	<u>259,169</u>
Net change in fund balance	(191,490)	86,720	374,764	288,044
Fund balance at beginning of year	(4,867)	(4,867)	(4,867)	-
Expenditures against prior year encumbrances	<u>205,858</u>	<u>205,858</u>	<u>205,858</u>	-
Fund balance at end of year	\$ <u>9,501</u>	\$ <u>287,711</u>	\$ <u>575,755</u>	\$ <u>288,044</u>

Mentor Exempted Village School District

Building – Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Earnings on investments	\$ 1,160,000	\$ 657	\$ 657	\$ -
Expenditures:				
Current:				
Support services:				
Operation and maintenance – plant	1,160,031	1,160,657	1,160,657	-
Excess of revenues over (under) expenditures	(31)	(1,160,000)	(1,160,000)	-
Other financing sources (uses):				
Proceeds from sale of notes	-	1,159,969	1,160,000	31
Net change in fund balance	(31)	(31)	-	31
Fund balance at beginning of year	31	31	31	-
Fund balance at end of year	\$ -	\$ -	\$ 31	\$ 31

Mentor Exempted Village School District

Replacement – Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Support services:				
Other	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(28)	-	-	-
Fund balance at beginning of year	<u>28</u>	<u>28</u>	<u>28</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>28</u></u>	\$ <u><u>28</u></u>	\$ <u><u>-</u></u>

Mentor Exempted Village School District

Schoolnet Plus – Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction:				
Regular education	<u>55,335</u>	<u>55,335</u>	<u>55,335</u>	<u>-</u>
Net change in fund balance	(55,335)	(55,335)	(55,335)	-
Fund balance at beginning of year	<u>55,335</u>	<u>55,335</u>	<u>55,335</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Mentor Exempted Village School District

Food Service – Enterprise Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Food service	\$ 2,050,714	\$ 2,024,486	\$ 1,944,319	\$ (80,167)
Intergovernmental	395,931	421,887	405,181	(16,706)
Earnings on investments	1,146	1,221	1,173	(48)
Total revenues	<u>2,447,791</u>	<u>2,447,594</u>	<u>2,350,673</u>	<u>(96,921)</u>
Expenditures:				
Salaries	918,305	958,776	938,776	20,000
Employees' retirement and insurance	540,002	491,279	451,620	39,659
Purchased services	172,516	157,794	131,583	26,211
Supplies and materials	982,781	1,006,322	995,154	11,168
Capital outlay	77,692	76,561	46,548	30,013
Total expenditures	<u>2,691,296</u>	<u>2,690,732</u>	<u>2,563,681</u>	<u>127,051</u>
Excess of revenues over (under) expenses	<u>(243,505)</u>	<u>(243,138)</u>	<u>(213,008)</u>	<u>30,130</u>
Other financing sources (uses):				
Sale and loss of assets	2,443	2,603	2,500	(103)
Advances – in	550	586	563	(23)
Advances – out	-	(563)	(563)	-
Total other financing sources (uses)	<u>2,993</u>	<u>2,626</u>	<u>2,500</u>	<u>(126)</u>
Net change in fund balance	(240,512)	(240,512)	(210,508)	30,004
Fund balance at beginning of year	<u>240,512</u>	<u>240,512</u>	<u>240,512</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>30,004</u>	\$ <u>30,004</u>

Mentor Exempted Village School District

Uniform Supply – Enterprise Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Materials and fees	\$ 269,736	\$ 298,905	\$ 288,667	\$ (10,238)
Expenditures:				
Supplies and materials	499,598	528,794	310,701	218,093
Excess of revenues over (under) expenditures	(229,862)	(229,889)	(22,034)	207,855
Other financing sources (uses):				
Refund prior year expenditure	264	292	282	(10)
Net change in fund balance	(229,598)	(229,597)	(21,752)	207,845
Fund balance at beginning of year	229,598	229,598	229,598	-
Fund balance at end of year	\$ -	\$ 1	\$ 207,846	\$ 207,845

Mentor Exempted Village School District

Rotary – Enterprise Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tuition	\$ 6,887	\$ 6,888	\$ 5,623	\$ (1,265)
Expenditures:				
Salaries	12,380	6,424	6,424	-
Employees' retirement and insurance	1,890	981	981	-
Purchased services	7,281	7,771	3,778	3,993
Supplies and materials	<u>2,237</u>	<u>3,262</u>	<u>1,161</u>	<u>2,101</u>
Total expenditures	<u>23,788</u>	<u>18,438</u>	<u>12,344</u>	<u>6,094</u>
Excess of revenues over (under) expenses	(16,901)	(11,550)	(6,721)	4,829
Other financing sources (uses):				
Transfers – in	<u>25,112</u>	<u>25,112</u>	<u>20,500</u>	<u>(4,612)</u>
Net change in fund balance	8,211	13,562	13,779	217
Fund balance at beginning of year	<u>(8,211)</u>	<u>(8,211)</u>	<u>(8,211)</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	\$ <u>5,351</u>	\$ <u>5,568</u>	\$ <u>217</u>

Mentor Exempted Village School District

Adult Education – Enterprise Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tuition	\$ 132,558	\$ 126,011	\$ 114,357	\$ (11,654)
Intergovernmental	159	242	220	(22)
Food services	51	77	70	(7)
Extracurricular activities	1,517	2,315	2,101	(214)
Miscellaneous	1,168	1,783	1,618	(165)
Total revenues	<u>135,453</u>	<u>130,428</u>	<u>118,366</u>	<u>(12,062)</u>
Expenditures:				
Salaries	168,518	91,357	89,952	1,405
Employees' retirement and insurance	22,545	12,034	12,034	-
Purchased services	7,572	4,042	4,042	-
Supplies and materials	925	578	494	84
Capital outlay	3,280	1,751	1,751	-
Other	54,796	44,835	29,249	15,586
Total expenditures	<u>257,636</u>	<u>154,597</u>	<u>137,522</u>	<u>17,075</u>
Excess of revenues over (under) expenses	(122,183)	(24,169)	(19,156)	5,013
Other financing sources (uses):				
Transfers – in	<u>9,547</u>	<u>14,572</u>	<u>13,224</u>	<u>(1,348)</u>
Net change in fund balance	(112,636)	(9,597)	(5,932)	3,665
Fund balance at beginning of year	<u>112,636</u>	<u>112,636</u>	<u>112,636</u>	<u>-</u>
Fund balance at end of year	\$ <u>-</u>	\$ <u>103,039</u>	\$ <u>106,704</u>	\$ <u>3,665</u>

Mentor Exempted Village School District

Recreation – Enterprise Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ <u>200,000</u>	\$ <u>200,000</u>	\$ <u>119,121</u>	\$ <u>(80,879)</u>
Expenditures:				
Other	<u>224,612</u>	<u>143,733</u>	<u>143,733</u>	<u>-</u>
Net change in fund balance	(24,612)	56,267	(24,612)	(80,879)
Fund balance at beginning of year	<u>24,612</u>	<u>24,612</u>	<u>24,612</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>80,879</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(80,879)</u></u>

Mentor Exempted Village School District

Internal Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual

For The Fiscal Year Ended June 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Tuition	\$ 223,065	\$ 455,799	\$ 353,334	\$ (102,465)
Extracurricular activities	96,147	196,461	152,296	(44,165)
Earnings on investments	54	110	85	(25)
Miscellaneous	<u>2,066,405</u>	<u>779,338</u>	<u>604,140</u>	<u>(175,198)</u>
Total revenues	<u>2,385,671</u>	<u>1,431,708</u>	<u>1,109,855</u>	<u>(321,853)</u>
Expenditures:				
Salaries	664,809	496,878	496,878	-
Employees' retirement and insurance	168,801	126,822	126,162	660
Purchased services	2,314,721	1,730,335	1,730,024	311
Supplies and materials	142,068	135,618	106,182	29,436
Capital outlay	42,151	43,452	31,504	11,948
Other	<u>251,066</u>	<u>266,857</u>	<u>187,646</u>	<u>79,211</u>
Total expenditures	<u>3,583,616</u>	<u>2,799,962</u>	<u>2,678,396</u>	<u>121,566</u>
Excess of revenues over (under) expenditures	<u>(1,197,945)</u>	<u>(1,368,254)</u>	<u>(1,568,541)</u>	<u>(200,287)</u>
Other financing sources (uses):				
Refund prior year expenditure	25	53	41	(12)
Transfer – in	737,161	1,506,273	1,167,657	(338,616)
Advances – in	177,144	361,966	280,595	(81,371)
Advances – out	(4,366)	(3,687)	(3,263)	424
Transfer – out	<u>(13,295)</u>	<u>(9,937)</u>	<u>(9,937)</u>	<u>-</u>
Total other financing sources (uses)	<u>896,669</u>	<u>1,854,668</u>	<u>1,435,093</u>	<u>(419,575)</u>
Net change in fund balance	(301,276)	486,414	(133,448)	(619,862)
Fund balance at beginning of year	<u>301,276</u>	<u>301,276</u>	<u>301,276</u>	<u>-</u>
Fund balance at end of year	\$ <u><u>-</u></u>	\$ <u><u>787,690</u></u>	\$ <u><u>167,828</u></u>	\$ <u><u>(619,862)</u></u>

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Mentor Exempted Village School District

Governmental Activities – Revenues by Source and Expenses by Function – Full Accrual

For The Fiscal Year Ended June 30, 2004

Table 1

	<u>2004</u>	<u>2003</u>
Program revenues		
Charges for services	\$ 1,897,529	\$ 1,865,210
Operating grants and contributions	5,371,399	4,853,351
Capital grants and contributions	-	161,631
General revenues		
Taxes	54,913,735	58,061,187
Intergovernmental	23,729,703	21,901,553
Earnings on investments	94,172	92,578
Miscellaneous	912,588	267,402
Gain on sale of capital assets	<u>16,524</u>	<u>13,142</u>
Total	<u>86,935,650</u>	<u>87,216,054</u>
Expenses/expenditures		
Current:		
Regular education	43,134,601	40,956,464
Special education	9,584,464	8,260,968
Vocational education	2,835,166	2,544,369
Adult/continuing education	4,251	71,533
Other	1,513,815	2,298,419
Support services:		
Pupil	6,128,799	5,683,969
Instructional staff	5,393,115	4,816,165
Board of education	479,902	629,729
Administration	6,440,990	6,311,385
Fiscal	2,119,153	1,694,931
Business	302,004	23,205
Operation and maintenance of plant	8,494,172	8,766,874
Pupil transportation	5,668,170	5,635,017
Central	1,321,251	1,960,997
Operation of non-instructional services	1,914,056	1,011,416
Extracurricular activities	1,546,458	2,858,612
Debt service	1,604,865	1,321,916
Transfers	<u>33,724</u>	<u>-</u>
Total	<u>98,518,956</u>	<u>94,845,969</u>
Change in net assets	\$ <u>(11,583,306)</u>	\$ <u>(7,629,915)</u>

Source: School District financial records

Mentor Exempted Village School District

General Fund Expenditures by Function and Other Financial Uses

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Current:										
Expenditures										
Instructional staff	\$61,904,392	\$ 60,234,686	\$ 54,794,415	\$ 51,433,556	\$ 49,888,750	\$ 48,814,644	\$ 44,379,280	\$ 42,461,201	\$ 39,730,709	\$ 40,127,479
Board of education services	479,902	629,729	677,709	614,501	501,619	452,184	443,515	502,075	477,207	469,059
Administration services	5,242,560	4,967,550	4,172,450	4,068,479	3,993,159	4,286,549	3,987,373	3,810,039	3,133,921	3,753,592
Fiscal services	2,036,540	1,660,704	2,257,246	1,639,639	1,604,864	1,540,286	1,321,966	1,117,029	1,126,747	1,060,877
Business services	636,011	694,926	593,821	608,986	518,860	496,820	464,579	461,529	496,366	616,370
Operation and maintenance	7,858,228	8,119,846	7,988,028	7,485,661	6,740,570	6,397,565	6,471,654	5,660,774	5,576,331	5,754,487
Pupil transportation	5,128,283	6,453,258	4,659,453	4,327,853	4,002,300	4,009,118	3,450,259	3,118,878	3,042,095	3,398,761
Central support services	1,031,434	1,554,874	1,031,226	797,597	670,483	683,873	865,654	485,377	410,800	472,296
Community services	63,576	98,695	87,280	78,896	75,307	70,978	66,874	74,449	61,582	56,768
Extracurricular activities	1,214,405	1,220,804	1,124,107	1,022,947	906,986	1,020,920	924,638	866,678	854,019	809,438
Capital outlay	-	-	-	-	200,667	362,235	780,865	-	-	-
Non-program services	-	-	-	-	50,418	68,933	84,764	101,814	187,918	104,031
Facilities acquisition	-	273	236	-	-	-	-	-	-	-
Interest and fiscal charges	231,581	-	-	-	-	-	-	-	-	-
Other financing sources	1,533,041	465,631	939,664	1,300,789	1,230,620	1,549,475	1,475,738	1,469,290	1,212,210	1,077,207
Total expenditures	\$ 87,359,953	\$ 86,100,976	\$ 78,325,635	\$ 73,378,904	\$ 70,384,603	\$ 69,753,580	\$ 64,717,159	\$ 60,129,133	\$ 56,309,905	\$ 57,700,365

SOURCE: School District financial records

Mentor Exempted Village School District

General Fund Revenues by Source and Other Financing Sources

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Taxes	\$ 52,882,232	\$ 54,296,175	\$ 52,958,493	\$ 48,042,371	\$ 46,640,454	\$ 46,881,050	\$ 46,071,361	\$ 41,147,629	\$ 37,356,211	\$ 38,288,012
Tuition and fees	896,991	175,267	209,099	195,240	206,366	163,254	194,011	190,352	190,745	44,966
Earnings on investments	85,407	89,592	245,068	743,950	701,218	562,731	408,005	247,071	231,226	206,453
Intergovernmental	23,491,602	22,628,508	22,985,526	21,531,337	21,367,997	21,390,073	20,330,654	18,699,863	19,160,209	18,787,128
Refund of prior year expenditures	-	159,262	141,635	333,595	-	-	-	-	-	-
Extracurricular activities	157,315	-	-	-	-	-	-	-	-	-
Miscellaneous revenue	242,996	158,003	106,073	86,642	280,673	504,318	801,218	308,016	438,064	269,826
Sale of capital assets	-	-	-	-	-	10,163	15,664	14,038	8,994	-
Other financing sources	<u>19,500,986</u>	<u>1,020,197</u>	<u>349,393</u>	<u>322,532</u>	<u>10,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 97,257,529</u>	<u>\$ 78,527,004</u>	<u>\$ 76,995,287</u>	<u>\$ 71,255,667</u>	<u>\$ 69,207,495</u>	<u>\$ 69,511,589</u>	<u>\$ 67,820,913</u>	<u>\$ 60,606,969</u>	<u>\$ 57,385,449</u>	<u>\$ 57,596,385</u>

SOURCE: School District financial records

(1) 1998 through 2004 reported on a modified accrual basis; all others on cash basis.

Mentor Exempted Village School District

Property Tax Levies And Collections – Real and Tangible Personal Property

Last Ten Years Table 4

<u>Year</u>	<u>Current Levy</u>	<u>Current Tax Collection</u>	<u>Percent of Current Levy Collected</u>	<u>Delinquent Collections</u>	<u>Total Collection as a Percent of Collections</u>
2003	\$ 58,608,457	\$ 56,910,391	97.1%	\$ 1,719,718	3.02%
2002	59,032,060	57,073,211	96.7	1,606,667	2.82
2001	58,892,070	56,889,448	96.6	1,022,971	1.8
2000	56,704,322	55,441,703	97.77	1,262,619	2.28
1999	56,626,512	54,995,114	97.12	1,631,398	2.97
1998	49,280,143	48,117,168	97.64	1,162,974	2.42
1997	48,182,502	47,087,957	97.73	1,094,546	2.32
1996	41,817,576	41,035,072	98.13	782,504	1.91
1995	36,418,241	35,525,994	97.55	892,247	2.51
1994	34,816,674	33,859,457	97.25	957,217	2.83

SOURCE: Lake County Auditor – Data is presented on a calendar year basis, consistent with the County Auditor’s method of maintaining the information.

Mentor Exempted Village School District

Assessed and Estimated Actual Value of Taxable Property

Last Ten Years Table 5

Tax Year/ Collection Year	Agricultural & Residential Real Estate	Public Utility Personal	Total Tangible Personal	Estimated Assessed Valuation	Actual Value	Ratio
2003 - 2004	\$ 1,685,185,080	\$ 43,693,710	\$ 167,917,519	\$ 1,896,796,309	\$ 5,536,136,533	39.39
2002 - 2003	1,436,430,740	42,734,840	182,230,555	1,661,396,135	4,825,407,848	40.48
2001 - 2002	1,412,020,610	45,017,670	189,929,231	1,646,967,511	4,839,079,194	34.03
2000 - 2001	1,394,604,940	51,031,770	180,385,071	1,626,021,781	4,718,846,384	34.46
1999 - 2000	1,228,998,710	53,714,800	175,243,944	1,457,957,454	4,266,111,950	34.18
1998 - 1999	1,207,740,240	57,296,770	156,299,500	1,421,336,510	4,133,196,170	34.39
1997 - 1998	1,179,758,070	55,926,310	151,200,048	1,386,884,428	4,005,621,308	34.62
1996 - 1997	1,018,263,300	57,392,890	144,752,054	1,220,408,244	3,505,681,780	34.81
1995 - 1996	990,347,770	57,895,210	127,189,351	1,175,432,331	3,396,274,262	34.61
1994 - 1995	957,941,990	60,700,710	115,665,542	1,134,308,242	3,260,394,732	34.79

SOURCE: Lake County Auditor - Data is presented on a calendar year basis, consistent with the County Auditor's method of maintaining the information.

Real Property - Assessed value represents 35.0% of actual value.

Tangible Personal Property - Tax year 1983 begins a 1% reduction of assessed valuation for 10 year period. Prior to 1983 property was appraised at 35% of true value.

Public Utility - Personal - Assessed value represents 88% of true value.

Mentor Exempted Village School District

Property Tax Rates – Direct and Overlapping Governments

Last Ten Years Table 6

Tax Year/ Collection Year	Concord Township	City of Mentor	City of Willoughby	Mentor-on the-Lake	Village of Kirtland Hills	Chardon Township (a)
2003/2004	Municipality/Township School Library District County <u>TOTAL</u>	9.40 69.62 0.63 <u>15.70</u> <u>95.35</u>	7.19 66.87 0.63 <u>15.70</u> <u>90.39</u>	24.00 69.62 0.63 <u>15.70</u> <u>109.95</u>	20.00 69.62 0.63 <u>15.70</u> <u>105.95</u>	7.70 66.70 0.63 <u>9.50</u> <u>84.53</u>
2002/2003	Municipality/Township School Library District County <u>TOTAL</u>	9.40 66.77 0.63 <u>15.70</u> <u>92.50</u>	7.19 66.87 0.63 <u>15.70</u> <u>90.39</u>	24.00 66.77 0.63 <u>15.70</u> <u>107.10</u>	23.00 66.77 0.63 <u>15.70</u> <u>106.10</u>	7.70 66.70 0.63 <u>9.50</u> <u>84.53</u>
2001/2002	Municipality/Township School Library District County <u>TOTAL</u>	9.40 66.79 0.63 <u>15.70</u> <u>92.52</u>	7.19 66.79 0.63 <u>15.70</u> <u>90.31</u>	24.00 66.79 0.63 <u>15.70</u> <u>107.12</u>	23.00 66.79 0.63 <u>15.70</u> <u>106.12</u>	7.70 66.79 0.63 <u>9.50</u> <u>84.62</u>
2000/2001	Municipality/Township School Library District County <u>TOTAL</u>	9.40 66.84 0.63 <u>15.70</u> <u>92.57</u>	7.19 66.84 0.63 <u>15.70</u> <u>90.36</u>	24.00 66.84 0.63 <u>15.70</u> <u>107.17</u>	23.00 66.84 0.63 <u>15.70</u> <u>106.17</u>	7.70 66.84 0.63 <u>9.50</u> <u>84.67</u>
1999 / 2000	Municipality/Township School Library District County <u>TOTAL</u>	9.40 66.87 0.63 <u>15.70</u> <u>92.60</u>	7.19 66.87 0.63 <u>15.70</u> <u>90.39</u>	24.00 66.87 0.63 <u>15.70</u> <u>107.20</u>	23.00 66.87 0.63 <u>15.70</u> <u>106.20</u>	7.70 66.87 0.63 <u>9.50</u> <u>84.70</u>

Mentor Exempted Village School District

Property Tax Rates – Direct and Overlapping Governments (continued)

Last Ten Years Table 6

Tax Year/ Collection Year		Concord Township	City of Mentor	City of Willoughby	Mentor-on the-Lake	Village of Kirtland Hills	Chardon Township (a)
1998 / 1999	Municipality/Township	9.40	4.50	7.19	24.00	23.00	7.70
	School	67.21	67.21	67.21	67.21	67.21	67.21
	Library District	0.63	0.63	0.63	0.63	0.63	0.63
	County	15.60	15.60	15.60	15.60	15.60	9.50
	TOTAL	<u>92.84</u>	<u>87.94</u>	<u>90.63</u>	<u>107.44</u>	<u>106.44</u>	<u>85.04</u>
1997 / 1998	Municipality/Township	9.40	6.00	6.29	24.00	23.00	7.70
	School	67.21	67.21	67.21	67.21	67.21	67.21
	Library District	0.50	0.50	0.50	0.50	0.50	0.50
	County	14.10	14.10	14.10	14.10	14.10	9.50
	TOTAL	<u>91.21</u>	<u>87.81</u>	<u>88.10</u>	<u>105.81</u>	<u>104.81</u>	<u>84.91</u>
1996 / 1997	Municipality/Township	9.40	6.05	6.55	24.00	23.00	7.70
	School	67.45	67.45	67.45	67.45	67.45	67.45
	Library District	0.50	0.50	0.50	0.50	0.50	0.50
	County	14.00	14.00	14.00	14.00	14.00	9.70
	TOTAL	<u>91.35</u>	<u>88.00</u>	<u>88.50</u>	<u>105.95</u>	<u>104.95</u>	<u>85.35</u>
1995 / 1996	Municipality/Township	9.40	6.05	6.55	19.50	23.00	7.70
	School	62.95	62.95	62.95	62.95	62.95	62.95
	Library District	0.50	0.50	0.50	0.50	0.50	0.50
	County	14.00	14.00	14.00	14.00	14.00	9.70
	TOTAL	<u>86.85</u>	<u>83.50</u>	<u>84.00</u>	<u>96.95</u>	<u>100.45</u>	<u>80.85</u>

Mentor Exempted Village School District

Property Tax Rates – Direct and Overlapping Governments (continued)

Last Ten Years Table 6

Tax Year/ Collection Year	Concord Township	City of Mentor	City of Willoughby	Mentor-on the-Lake	Village of Kirtland Hills	Chardon Township (a)
1994 / 1995	9.40	6.10	6.55	19.50	23.00	7.70
School	62.95	62.95	62.95	62.95	62.95	62.95
Library District	0.50	0.50	0.50	0.50	0.50	0.50
County	<u>14.00</u>	<u>14.00</u>	<u>14.00</u>	<u>14.00</u>	<u>14.00</u>	<u>8.70</u>
TOTAL	<u>86.85</u>	<u>83.55</u>	<u>84.00</u>	<u>96.95</u>	<u>100.45</u>	<u>79.85</u>

SOURCE: Lake and Geauga County Auditors - Data is presented on a calendar year basis consistent with the County Auditor's method of maintaining the information.

(a) Located in Geauga County

Mentor Exempted Village School District

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Years Table 7

<u>Year</u>	<u>Net General Bonded Debt</u>	<u>Assessed Value</u>	<u>Population</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
2004	\$ 11,990,000	\$ 1,896,796,309	63,742	0.63%	\$ 187
2003	11,826,977	1,661,396,135	63,742	0.71%	185
2002	12,083,311	1,646,967,511	63,742	0.73%	190
2001	12,838,681	1,626,021,781	63,742	0.79%	201
2000	12,722,120	1,457,957,454	63,742	0.87%	200
1999	13,301,168	1,421,336,510	64,025	0.94%	208
1998	14,039,991	1,386,884,428	64,314	1.01%	218
1997	15,466,461	1,220,408,244	62,848	1.27%	246
1996	16,659,158	1,176,966,661	62,690	1.42%	266
1995	17,860,336	1,134,308,242	62,655	1.57%	285

SOURCE: Lake County Auditor, School District Financial Records, and the U.S. Census Bureau

Mentor Exempted Village School District

Computation of Legal Debt Margin

June 30, 2004 Table 8

Assessed Valuation	\$ <u>1,896,796,309</u>
Debt Limit – 9% of Assessed Value	\$ 170,711,668
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds	13,400,000
Energy Conservation Notes	1,410,000
Less: Amount Available in Debt Service Fund	<u>(992,110)</u>
Total	13,817,890
Exemptions:	
Energy Conservation Notes	<u>(1,410,000)</u>
Amount of Debt Subject to the Limit	<u>12,407,890</u>
Overall Debt Margin	\$ <u><u>158,303,778</u></u>
Debt Limit – 0.1% of Assessed Value ⁽¹⁾	\$ 1,896,796
Amount of Debt Applicable	<u> -</u>
Unvoted Debt Margin	\$ <u><u>1,896,796</u></u>

SOURCE: Lake County Auditor and School District Financial Records

(1) Ohio Bond law sets an overall limit of 9% for total debt and 1/10 of 1% for unvoted debt.

Mentor Exempted Village School District

Computation of Direct and Overlapping General Obligation Bonded Debt

As of December 31, 2003 Table 9

Jurisdiction	General Obligation Bonded Debt Outstanding	Percentage Applicable to School District ⁽¹⁾	Amount Applicable to School District
Direct:			
Mentor Exempted Village School District	\$ 13,400,000	100.00%	\$ 13,400,000
Total Direct	<u>13,400,000</u>		<u>13,400,000</u>
Overlapping:			
City of Mentor	18,160,824	100.00%	18,160,824
City of Mentor-on-the-Lake	845,000	100.00%	845,000
Lake County	15,085,000	29.83%	4,499,855
Geauga County	7,416,552	0.14%	10,383
Total Overlapping	<u>41,507,376</u>		<u>23,516,062</u>
Total	<u>\$ 54,907,376</u>		<u>\$ 36,916,062</u>

SOURCE: Lake and Geauga County Auditors, City of Mentor and City of Mentor-on-the-Lake.

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision. The valuations used were for the 2003 collection year.

Mentor Exempted Village School District

Ratio of Annual Debt Service Expenditures For General Obligation Bonded Debt to General Fund Expenditures

Last Ten Fiscal Years Table 10

Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	General Fund Expenditures (Percentages)
2004	\$ 15,964,926	\$ 1,582,435	\$ 17,547,361	\$ 85,826,912	20.45%
2003	1,216,933	1,304,918	2,521,851	85,635,345	2.94%
2002	1,394,540	1,395,725	2,790,265	78,325,635	3.56%
2001	1,666,507	1,462,360	3,128,867	73,378,904	4.26%
2000	1,942,945	1,432,468	3,375,413	70,384,603	4.80%
1999	2,233,836	1,417,137	3,650,973	69,753,580	5.23%
1998	3,020,000	799,315	3,819,315	64,717,159	5.90%
1997	3,785,000	945,603	4,730,603	60,129,133	7.87%
1996	4,860,000	1,079,759	5,939,759	56,309,905	10.55%
1995	4,570,000	1,081,174	5,651,174	57,700,365	9.79%

SOURCE: School District financial records.

Mentor Exempted Village School District

Property Value, Financial Institution Deposits and Building Permits

Last Ten Calendar Years

Table 11

Year	Commercial/ Industrial Construction		Residential Construction		Assessed Value		Bank Deposits at December 31
	Number of Permits	Value	Number of Permits	Value	Commercial	Residential	
2003	10	\$ 12,140,928	104	\$ 21,194,829	\$ 540,799,589	\$ 854,740,560	\$ 97,238,973,000
2002	17	11,606,500	99	21,794,940	540,428,075	845,534,380	95,760,917,000
2001	17	25,337,931	86	18,356,344	531,734,976	837,953,010	63,893,769,000
2000	21	21,310,000	93	18,462,180	483,231,162	747,054,460	61,942,764,000
1999	28	32,508,000	125	25,405,985	466,720,129	733,176,570	57,816,942,000
1998	22	21,133,600	151	28,194,085	445,204,154	724,256,060	58,904,596,000
1997	23	19,682,455	168	31,786,070	422,283,634	607,871,200	53,941,971,000
1996	22	13,025,000	190	33,557,135	393,025,131	595,944,740	27,068,211,000
1995	17	6,783,292	169	26,788,600	371,363,376	581,323,100	22,458,573,000
1994	32	14,457,600	219	34,699,230	348,718,405	504,813,840	20,885,453,000

SOURCES: Federal Reserve Bank of Cleveland, Lake County Auditor, Building Department reports

Mentor Exempted Village School District

Principal Taxpayers: Real Estate Tax

As of December 31, 2003

Table 12

Name of Taxpayer	Nature of Business	Assessed Value	Percent of Total Assessed Value
Simon Property Group LP	Shopping Center	\$ 22,677,960	1.35%
Steris Corporation	Medical Equipment Mfg.	7,863,490	0.47%
Points East	Retail Sales	6,151,250	0.37%
Euclid Clinic Foundation	Medical	4,005,170	0.24%
Summerville At Mentor Inc	Assisted Living	3,760,740	0.22%
F I Mentor Commons LTD	Retail Sales	3,717,760	0.22%
Royal Appliance Mfg. Co.	Appliance Manufacturer	3,668,320	0.22%
Deepwood North Co.	Condominiums	3,584,460	0.21%
OsAir Inc	Design-build Professionals	3,537,390	0.21%
Avery International	Adhesives	3,469,110	0.21%
First Interstate	Holding Company	3,446,690	0.20%
Total		65,882,340	3.92%
Total Assessed Value		\$ 1,685,185,080	

SOURCE: Lake County Auditor

Mentor Exempted Village School District

Principal Taxpayers: Tangible Personal Property Tax

As of December 31, 2003

Table 13

Name of Taxpayer	Nature of Business	Assessed Value	Percent of Total Assessed Value
Nupro Co.	Manufacturing	\$ 8,822,170	5.25%
Avery Dennison Co.	Adhesive Labels	6,788,230	4.04%
Mediaone of Ohio	Cable Company	5,436,400	3.24%
Jim Brown Chevrolet Inc	Automobile Dealership	4,508,700	2.69%
Steris Corporation	Medical Equipment Mfg	4,257,100	2.54%
P C C Airfoils Inc.	Mfg of Castings	4,053,660	2.41%
Wiseco Piston Company	High Performance Pistons	4,004,900	2.39%
Lincoln Electric Co	Welding Equipment	3,875,200	2.31%
Worthington Precision	Mfg of Parts and Components	3,809,220	2.27%
Polychem Corporation Inc	Plastic Strapping	3,229,310	1.92%
Total		48,784,890	29.06%
Total Assessed Value		\$ 167,917,519	

SOURCE: Lake County Auditor

Mentor Exempted Village School District

Principal Taxpayers: Public Utilities Tax

As of December 31, 2003

Table I4

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Cleveland Electric Illuminating Company	Electricity	\$ 18,553,960	42.46%
Consumers Ohio	Water	11,086,800	25.37%
Ohio Bell Telephone	Telephone	7,895,170	18.07%
American Transmission System	Electric	2,148,390	4.92%
East Ohio Gas	Natural Gas	<u>1,249,970</u>	<u>2.86%</u>
Total		<u>40,934,290</u>	93.68%
Total Assessed Value		\$ <u><u>43,693,170</u></u>	

SOURCE: Lake County Auditor

Mentor Exempted Village School District

Per Pupil Cost

Last Ten Fiscal Years Table 15

<u>Year</u>	<u>General Fund Expenditures</u>	<u>Average Daily Student Enrollment(1)</u>	<u>Per Pupil Cost (2)</u>
Fiscal 2004	\$ 87,359,953	9,759	\$ 8,952
Fiscal 2003	86,100,976	9,887	8,708
Fiscal 2002	78,325,635	10,154	7,714
Fiscal 2001	73,378,904	10,272	7,144
Fiscal 2000	70,384,603	10,261	6,859
Fiscal 1999	69,753,580	10,466	6,665
Fiscal 1998	64,717,159	11,018	5,874
Fiscal 1997	60,129,133	11,055	5,439
Fiscal 1996	56,309,905	11,182	5,036
Fiscal 1995	57,700,365	11,154	5,173

SOURCE: School District financial records

(1) Average Daily Membership includes all full time kindergarten students

(2) Per Pupil Cost = General Fund Expenditures / Average Daily Membership

Mentor Exempted Village School District

Teacher Education and Experience

June 30, 2004

Table 16

Degree	Number of Teachers	Percentage of Total
Non Degree	3	.54%
Bachelor's Degree	23	4.13%
150 Hours	n/a	0.00%
Bachelor + 15	102	18.31%
Master's Degree	30	5.38%
Master + 15	6	1.08%
Master + 30	80	14.36%
Master + 45	308	55.30%
PhD	5	0.90%
National Board Certified	n/a	0.00%
Total	<u>557</u>	<u>100.00%</u>

Years of Experience	Number of Teachers	Percentage of Total
0 – 5	41	7.36%
6 – 10	109	19.57%
11 and Over	407	73.07%
Total	<u>557</u>	<u>100.00%</u>

SOURCE: School District Personnel Records

Mentor Exempted Village School District

Student Demographic Information

June 30, 2004

Table 17

**MENTOR EXEMPTED VILLAGE
SCHOOL DISTRICT
Student Demographic Information
June 30, 2004
(Unaudited)**

Grade	Total (1)
Preschool	133
K	575
1	623
2	671
3	663
4	697
5	746
6	765
7	814
8	823
9	844
10	834
11	809
12	<u>762</u>
Total	<u>9,759</u>

Student Data (2)

Grade	Enrollment	Percent
Elementary (Pre-6)	4,873	49.93
Secondary (High School, Junior High Schools)	<u>4,886</u>	<u>50.07</u>
Total	<u>9,759</u>	<u>100.00</u>

Ethnic	Total	Percent
Caucasian	9,457	96.91
Asian American	94	0.96
Black American	80	0.82
Hispanic/Latino	51	0.52
American Indian/Alaskan Native	4	0.04
Multi - Racial	<u>73</u>	<u>0.75</u>
Total	<u>9,759</u>	<u>100.00</u>

Male/Female Ratio (2)

Grade	Male	Female
Elementary & Secondary	4,956	4,803
Percent	50.78	49.22

(1) Ohio Department of Education, Division of Information Management Services

(2) School District Records



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**MENTOR EXEMPTED VILLAGE SCHOOL DISTRICT
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
MARCH 24, 2005**