

CITY OF MENTOR, OHIO

*Single Audit Report
for the Year Ended
December 31, 2003*



**Auditor of State
Betty Montgomery**

City Manager and Members of the City Council
City of Mentor
8500 Civic Center Boulevard
Mentor, Ohio 44060-2499

We have reviewed the Independent Auditor's Report of the City of Mentor, Lake County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2003 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 13, 2004

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CITY OF MENTOR, OHIO

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INDEPENDENT AUDITORS' REPORT

The City Manager and Members of the
City Council of the City of Mentor, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor, Ohio, (the "City") as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mentor's management. Our responsibility is to express an opinion on the respective 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 respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor, Ohio, as of December 31, 2003, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, effective January 1, 2003, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, an amendment of GASB Statement No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's discussion and analysis on pages 3 through 18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City of Mentor's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying supplemental schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the City. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Deloitte & Touche LLP

July 22, 2004

CITY OF MENTOR, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mentor (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 39.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2003 by approximately \$171 million (net assets). All of the net assets are accounted for as governmental activities. Of this amount, \$18.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors
- The City's net assets increased by \$5.2 million during 2003.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$15.1 million and is available for spending at the City's discretion. The unreserved fund balance equals 31.8 percent of total current year general fund expenditures.
- The City's total debt decreased by \$1.93 million (6.5 percent) during the current fiscal year. The decrease was a result of normal debt service payments with no additional new debt issued during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, 3) General Fund budget and actual statement, 4) fiduciary fund financial statements, and 5) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City principally include: general government; police; fire; streets and highways; parks, recreation and public lands; community development; and engineering and building.

The government-wide financial statements can be found on pages 19-20 of this report.

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

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

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

The City maintains 42 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Special Assessment Bond Retirement Fund, which are considered to be major funds. Data from the other 40 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 21-23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 25 and 26 of this report.

General Fund budget and actual statement. The City adopts an annual appropriated budget for each of its funds. The General Fund budgetary comparison on page 24 of this report has been provided as a separate financial statement to demonstrate compliance with its budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year for the City in implementing Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related statements. Statement No. 34 requires a comparative analysis of government-wide data in the Management's Discussion and Analysis section. Since this is the first year of implementing the new standard, comparative data is not available. In future years, comparative data will be presented. Information regarding the government-wide net assets of the City is provided below:

	Summary of Net Assets as of <u>December 31, 2003</u>
Assets:	
Cash, investments, receivables, and other assets	\$ 49,765,856
Capital assets	<u>165,157,568</u>
Total assets	<u>214,923,424</u>
Liabilities:	
Accounts payable, accrued liabilities, deferred revenues and other liabilities	13,884,823
Long-term obligations	<u>30,093,147</u>
Total liabilities	<u>43,977,970</u>
Net assets:	
Invested in capital assets, net of related debt	137,537,568
Restricted	14,699,469
Unrestricted	<u>18,708,417</u>
Total net assets	<u>\$ 170,945,454</u>

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$171 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (80.5 percent) is its investment in capital assets (e.g., land, land improvements, buildings, equipment, and infrastructure), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets (8.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$18.7 million or (10.9 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

Information regarding government-wide changes in net assets is provided below:

**Changes in Net Assets
For Fiscal Year Ended December 31, 2003**

Revenues:	
Program revenues:	
Charges for services	\$ 6,559,948
Operating grants and contributions	1,088,262
Capital grants and contributions	8,284,025
General revenues:	
Municipal income taxes	26,338,127
Property taxes	4,882,423
Other local taxes	732,210
Shared revenues	6,914,549
Other grants and contributions	59,612
Unrestricted investment earnings	680,325
Other	<u>412,295</u>
Total revenues	<u>55,951,776</u>
Expenses:	
General government	7,545,494
Police	10,013,387
Fire	9,070,349
Streets and highways	12,170,074
Parks, recreation and public lands	7,187,899
Community development	1,229,646
Engineering and building	1,882,276
Interest and other charges	<u>1,710,007</u>
Total expenses	<u>50,809,132</u>
Increase in net assets	5,142,644
Net assets at beginning of year	<u>165,802,810</u>
Net assets at end of year	<u><u>\$170,945,454</u></u>

The increase in net assets of \$5.1 million is a result of program revenues recorded during 2003 related to federal grants for streets and highways currently under construction (primarily the Heisley Road improvement project) for which the cost will be recorded as depreciation expense in future years.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2003, the City's governmental funds reported combined ending fund balances of \$21.7 million, a decrease of \$3.1 million from the prior year. The unreserved amount of \$17.5 million is available for spending at the City's discretion. The remainder of the combined fund balances is reserved to indicate that it is not available for general spending because it has already been committed 1) to liquidate contracts and purchase orders outstanding of \$3.3 million, 2) to pay \$0.4 million of debt service, and 3) to hold inventory of \$0.5 million.

The General Fund is the chief operating fund of the City. At December 31, 2003, the unreserved fund balance of the General Fund was \$15.1 million. As a measure of the General Fund's liquidity, it is useful to compare the unreserved fund balance to total fund expenditures plus transfers out. The unreserved fund balance represents 31.8 percent of total General Fund expenditures and transfers out at December 31, 2003.

A two-year comparison of General Fund activity is shown in the following table. The revenues, expenditures and change in fund balance shown in the comparison are presented on the modified accrual basis of accounting applicable to governmental funds.

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance Information – Modified Accrual Basis
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
Property taxes	\$ 1,386,305	\$ 1,363,402
Municipal income taxes	26,435,708	26,686,076
Intergovernmental	10,065,245	6,748,080
Charges for services	2,726,280	2,699,889
Fines and forfeitures	1,195,376	1,142,857
Licenses, permits, and inspections	1,099,716	1,079,367
Investment income	680,325	1,466,870
Donations and other	<u>699,689</u>	<u>186,251</u>
 Total Revenues	 <u>44,288,644</u>	 <u>41,372,792</u>
Expenditures:		
General government	7,254,548	6,523,127
Police	8,904,309	8,414,230
Fire	6,922,959	6,484,760
Streets and highways	6,765,589	5,795,672
Parks, recreation and public lands	5,893,284	6,369,788
Community development	1,046,266	965,387
Engineering and building	1,766,664	1,920,058
Capital outlay	8,744,368	5,661,195
Debt service – principal retirement	<u>10,000</u>	<u>10,000</u>
 Total Expenditures	 <u>47,307,987</u>	 <u>42,144,217</u>
Excess of expenditures over revenues	(3,019,343)	(771,425)
Other Financing sources (Uses):		
Operating Transfer in		73,809
Operating Transfer out	<u>(17,348)</u>	<u>(15,792)</u>
Excess of expenditures and other financing uses over revenues and other financing sources	(3,036,691)	(713,408)
Fund balances at beginning of year (restated in 2003 - see Note 2 to the financial statements)	21,147,653	21,677,696
Change in reserve for inventory	<u>(22,126)</u>	<u>(3,615)</u>
Fund balance at end of year	<u>\$18,088,836</u>	<u>\$20,960,673</u>

Analysis of General Fund Revenues

General Fund revenues and other sources totaled \$44.3 million in 2003, an increase of approximately 7.0% from 2002. A discussion of each of the major types of General Fund revenues follows.

Property Taxes

Taxes collected from real property in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Taxes collected from tangible personal property in one calendar year are levied in the same calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year, and at the rates determined in the preceding year. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of January 1 of that preceding year, the lien date.

The “assessed valuation” of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted exclusively to agricultural use is assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate multiplied by the assessed value.

The assessed values of taxable property in the City for the past two years were as follows:

<u>Tax Collection Year</u>	<u>Real Property</u>	<u>Tangible Personal Property (Other Than Public Utility Property)</u>	<u>Public Utility Tangible Personal Property</u>	<u>Total Assessed Valuation</u>
	(in thousands)			
2002	\$ 1,169,554	\$ 177,900	\$ 38,508	\$ 1,385,962
2003	1,189,075	170,314	36,151	1,395,540

Property tax revenues increased by approximately 1.7% in 2003 principally due to the increase in real property assessed values.

Municipal Income Taxes

Ohio law authorizes a municipal income tax on both business income (net profits from the operation of a business or profession) and employee wages, salaries, and other compensation at a rate of up to 1% without voter authorization and at a rate above 1% with voter authorization. The charter of the City of Mentor requires voter approval of any tax on income. On May 7, 2002, the voters in the City renewed the two percent income tax for a five year period through December 31, 2007.

The income tax is imposed on gross salaries and wages earned in the City by non-residents of the City and on salaries, wages and other compensation of City residents earned within or outside the City. The income tax liability of a City resident employed outside the City is reduced by a credit equal to 100% of the tax paid to the municipality in which the City resident is employed. The tax on business profits is imposed on that part of profits attributable to business conducted within the City.

Income tax revenue decreased approximately \$0.25 million in 2003 versus the comparable amount in 2002 because of the relatively flat local economy. Revenue generated from the municipal income tax is recorded in the General Fund and may be used for any governmental purpose, including debt service on general obligation bonds of the City.

Intergovernmental

Intergovernmental revenues are composed of federal and state grants and other shared revenues including taxes levied and collected by the State of Ohio and Lake County and partially redistributed to the City and other political subdivisions. Shared revenues include state income, sales, corporate franchise, estate, and cigarette taxes as well as liquor fees. Intergovernmental revenues increased by approximately 49.2% in 2003 due to increased federal and state grants for major road projects – particularly the Heisley Road improvement project.

The State Local Government Fund (“LGF”) and Local Government Revenue Assistance Fund (“LGRAF”) are a significant source of non-tax General Fund revenue. Through these funds, Ohio subdivisions share in a portion of the State’s collection of the sales tax, use tax, personal income tax, corporate franchise tax and public utilities excise tax. The percentages of the five taxes supporting these funds have varied over the years. At times, the dollar amounts in the funds have been capped at specified levels.

Pursuant to the Ohio Revised Code, State LGF revenues are divided into county and municipal portions. The county portion, the larger of the two, is distributed to each of the State’s 88 counties and is allocated based upon a statutory formula utilizing county population and county municipal property values. Once received by a county, the funds can either be distributed to all subdivisions using the statutory formula or the county and its subdivisions may agree upon an alternate method for allocating the funds. Lake County and its recipient communities have chosen the latter method which is comprised of a base allocation and an excess allocation. The excess allocation takes into account such factors as assessed value per capita, per capita income, population density and the number of individuals receiving public assistance. The municipal portion of the LGF is distributed directly by the State to those municipalities that collect an income tax. A municipality receives its share of the funds based upon its percentage of total municipal income taxes collected throughout the state in a given year. In 2003, the City had LGF revenue of \$3.3 million.

The LGRAF, which was created in 1989, is distributed to all counties based upon population. Either the statutory allocation method or an agreed upon alternative allocation is used to apportion the funds. Lake County allocates LGRAF funds using the same method as is used to distribute LGF monies. In 2003, the City had LGRAF revenue of \$0.3 million. LGRAF funding has fluctuated over the course of the last few years. Distributions from the State of Ohio and Lake County (as a conduit between the State and City) have decreased since 2001.

Investment Income

Investment income of \$680,325 in 2003 was significantly less than the \$1,466,870 in 2002. A minor cause for the decrease was that the City had an average of about \$24 million invested during 2003 versus about \$26 million in 2002. The more important causes were that interest rates in 2003 were lower and that in 2002 there was an unrealized portfolio gain whereas in 2003 there was an unrealized loss. Specifically, the money market yields available in 2002 averaged about 1.8% versus about 1.1% in 2003. Additionally, in 2002, investment income included \$312,000 of unrealized gains on an intermediate-term corporate bond fund and a GNMA fund as interest rates fell. These two funds generated a net unrealized loss in 2003 of \$105,000 entirely due to the GNMA fund performance after interest rates started moving up in July 2003.

Donations and other

Donations and other revenues increased by \$513,438 from 2002 because of proceeds received from the sale of the vacated City owned service garage.

Analysis of General Fund Expenditures

General Fund expenditures and other uses totaled \$47.3 million in 2003, an increase of 12.3% from 2002. The amount of expenditures and other uses by function on a modified accrual basis for the year ended December 31, 2003, including the increases (decreases) over the prior year, are shown in the following table:

<u>Expenditures and Other Uses</u>	<u>Actual 2003</u>	<u>% of Total</u>	<u>Actual 2002</u>	<u>% of Total</u>	<u>Increase (Decrease) Over 2002</u>	<u>% Change</u>
(Amounts in 000's)						
Current:						
General Government	\$ 7,255	15.33	\$ 6,523	15.47	\$ 732	11.22
Police	8,904	18.81	8,414	19.96	490	5.82
Fire	6,923	14.63	6,485	15.38	438	6.75
Streets and highways	6,766	14.30	5,796	13.75	970	16.74
Parks, recreation and public land	5,893	12.45	6,370	15.11	(477)	(7.49)
Community development	1,046	2.21	965	2.29	81	8.39
Engineering and building	1,767	3.73	1,920	4.55	(153)	(7.97)
Capital outlay	8,744	18.48	5,661	13.43	3,083	54.46
Debt service - principal retirement	10	0.02	10	0.02	0	0.00
Operating Transfers Out	<u>17</u>	<u>0.04</u>	<u>16</u>	<u>0.04</u>	<u>1</u>	6.25
Total expenditures and other financing uses	<u>\$ 47,325</u>	<u>100.00 %</u>	<u>\$ 42,160</u>	<u>100.00 %</u>	<u>\$ 5,165</u>	12.25 %

Legal expenditures were substantially higher during 2003 causing an increase in General Government expenditures. The City incurred \$705,000 of expense litigating with two railroads in connection with a planned street that will cross over their tracks. Police expenditures were higher because of higher salary and benefits associated with fuller staffing levels throughout the year and the impact of general wage increases. Fire expenditures increased primarily because of \$140,000 of higher full-time salaries and \$228,000 of additional overtime costs. The streets and highways increase of \$970,000 was a result of \$400,000 of additional expense related to the newly constructed I90/SR615 interchange; \$258,000 for road salt; \$180,000 for higher salaries and associated benefits; and \$132,000 of additional costs for subsidizing trash collection and curbside recycling. The decrease in parks, recreation and public land expenditures was attributed to reduced maintenance costs at the ice arena and boat marina. Capital outlay expenditures increased primarily as a result of \$2.3 million of additional road construction costs (primarily the Heisley Road project) and \$0.8 million of additional costs for the fire station headquarters expansion.

Major Functional Expense Categories. A discussion of the City's major functional expense categories follows:

Employee Compensation and Labor Relations

As of December 31, 2003 and 2002, the City had approximately 378 and 374 full-time employees, respectively. As of December 31, 2003, approximately 238 full-time employees are represented in 5 collective bargaining units. The labor unions, together with the approximate number of employees represented by each, are the Municipal, County and State Employees' Union 1099- 74, the Ohio Patrolmen's Benevolent Assn. representing three units – 95, and the International Assn. of Firefighters Local 1845 – 69.

There have been no work stoppages in the City within the last 20 years. The current three-year agreements with the labor unions, which represent the full-time employees, all expire in April 2005. The agreement covering the part-time firefighters expires in April 2006. The current agreements have wage increases of generally 3.25% - 3.75% per year.

The Council, by ordinance, establishes schedules of salaries, wages and other economic benefits for the City's non-union employees. Generally, the terms of these ordinances have mirrored the wage increases and benefits in the union agreements.

Chapter 4117 of the Ohio Revised Code (the "Collective Bargaining Law"), establishes procedures for, and regulates public employer-employee collective bargaining and labor relations for the City and other state and local governmental units in Ohio. The Collective Bargaining Law creates a three-member State Employment Relations Board, which administers and enforces the Collective Bargaining Law. Among other things, the Collective Bargaining Law: (i) creates rights and obligations of public employers, public employees and public employee organizations with respect to labor relations; (ii) defines the employees it covers; (iii) establishes methods for (a) the recognition of employees and organizations as exclusive representatives for collective bargaining and (b) the determination of bargaining units; (iv) establishes matters for which collective bargaining is either required, prohibited, or optional; (v) establishes procedures for bargaining and the resolution of disputes, including negotiation, mediation and fact finding; and (vi) permits all covered employees to strike, except certain enumerated classes of employees, such as police and fire personnel.

Over the past two years, the total salaries and wages paid to the City's employees from all funds were as follows:

Year	Amount Paid
2003	\$ 22,036,053
2002	\$ 20,777,308

The increase in salaries and wages in 2003 is primarily due to general wage increases, step increases as employees advance with experience in their classifications, and higher staffing levels in the Police and Fire functions.

Employee Retirement Benefits

City employees (except for certain part-time firefighters who are covered by social security) are members of one of two retirement systems. These retirement systems provide both pension and post-retirement health care benefits to participants, were created pursuant to Ohio statutes and are administered by state created boards of trustees. The boards are comprised of a combination of elected members from the respective retirement systems' memberships and ex-officio members from certain state government offices.

These two retirement systems are:

- Ohio Public Employees Retirement System (OPERS), created in 1935, represents state and local government employees not included in one of the other four state-mandated systems. Management of the fund indicates membership of approximately 364,881 actively employed members. At December 31, 2002, assets of this pension fund approximated \$50.1 billion. More data on this pension fund are shown in Notes 13 and 14 to the financial statements.
- Ohio Police and Fire Pension Fund (OP&F), created in 1966, represents sworn personnel, not civilians, employed in police and fire divisions of Ohio's local governments. Management of the fund indicates membership of approximately 28,328 actively employed members. At December 31, 2002, assets of this pension fund approximated \$7.4 billion. All of the City's full-time police and fire officers are members of this pension fund. More data on this pension fund are shown in Notes 13 and 14 to the financial statements.

Over the past two years, the City and its employees have paid the following amounts to OPERS and OP&F.

	<u>2003</u>	<u>2002</u>
	(in thousands)	
Paid by City to:		
OPERS	\$1,784	\$1,676
OP&F	<u>2,038</u>	<u>1,909</u>
Total paid by City	<u>3,822</u>	<u>3,585</u>
Paid by employees to:		
OPERS	1,128	1,083
OP&F	<u>959</u>	<u>892</u>
Total paid by employees	<u>2,087</u>	<u>1,975</u>
Total	<u>\$5,909</u>	<u>\$5,560</u>

The increase in amounts paid to OPERS and OP&F during 2003 is primarily due to wage increases during 2003.

The City is current in all of its required contributions to the respective pension funds.

GENERAL FUND BUDGETARY ANALYSIS

The difference between the original and the final amended budget for the City's General Fund expenditures, including operating transfers out and advances out, (see page 27) was a decrease of \$3.7 million, a 6 percent decrease in appropriations. These were the most significant changes:

- The City reduced the appropriations for streets and highways by \$6.4 million due to slower than anticipated spending during the year on the Heisley Road improvement project.
- The streets and highways budget and the parks, recreation and public lands budget were increased by \$1.4 million and \$0.2 million, respectively, for additional land purchases completed during 2003.
- The general government budget was increased by a net \$0.4 million. There was an increase of \$0.8 million for additional litigation costs, primarily related to the expense of litigating with two railroads over a planned street that will cross over their tracks. This was partially offset by a \$0.4 million decrease in the \$0.9 million that had been appropriated for unspecified contingencies.
- The police and fire budgets were each increased by \$0.1 million due to additional equipment purchases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets as of December 31, 2003 equaled \$165.2 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets in 2003 was 4.1 percent. A summary of the City's capital assets at December 31, 2003 is as follows:

	Capital Assets, Net of Accumulated Depreciation
Land	\$ 52,353,556
Land improvements	2,168,939
Buildings and improvements	28,735,882
Equipment	7,321,001
Infrastructure	68,707,166
Construction in progress	<u>5,871,024</u>
Total	<u><u>\$165,157,568</u></u>

The following were the major events during the current fiscal year that affected the City's capital assets:

- Roadway construction and improvements (including land acquisition) related to the widening of Heisley Road and providing for railroad grade separations - \$5.7 million.
- Construction costs for the newly expanded fire station headquarters - \$1.7 million.
- Completion of two new sub-divisions, which increased the amount of infrastructure assets - \$1.9 million.

The primary sources for financing the City's capital improvement projects are federal, state (Issue 2), and Lake County funding sources; general obligation bond proceeds; and general fund revenues. Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 6 to the financial statements starting on page 51.

Long-term debt and other obligations. As of December 31, 2003, the City had total bond and notes outstanding of \$27.6 million. These are backed by the full faith and credit of the City.

The activity affecting the City's debt obligations outstanding during the year ended December 31, 2003 is summarized below.

	Balance January 1, 2003	Debt Issued	Debt Retired	Balance December 31, 2003
	(in thousands)			
General Obligation Bonds	\$ 19,335	\$ -	\$ (1,174)	\$ 18,161
Special Assessment Bonds	10,185	-	(746)	9,439
General Obligation Notes Payable	<u>30</u>	<u>-</u>	<u>(10)</u>	<u>20</u>
Total Governmental Activities	<u>\$ 29,550</u>	<u>\$ -</u>	<u>\$ (1,930)</u>	<u>\$ 27,620</u>

The funds used to meet the debt service requirements of the City's general obligation bonds are from certain ad valorem taxes and other revenue sources. Ad valorem taxes, the primary source of funds, amounted to \$1.634 million in 2003 which represented 72% of the debt service requirements on the general obligation bonds. Admission tax and hotel/motel tax revenues were used to pay the remaining 28% of debt service requirements.

The City issues its general obligation bonds within the context of its Capital Improvement Program. Programs which have benefited due to the issuance of general obligation debt include construction of and additions to City buildings (including a maintenance facility, an ice arena, a senior center, a fire station, and a City hall addition), and acquisition of a marina and park land.

The City also issues special assessment bonds for various roadway improvements. The debt service on the special assessment bonds is paid from the revenue collected through the special assessment levies.

The City presently has an Aa3 bond rating from Moody's Investors Service that was assigned initially in August 1997 and was reaffirmed in June 2002; previously the City had an A1 rating from Moody's.

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Funds. This data at December 31, 2003 was:

Net General Bonded Debt \$17,987,037

Ratio of Net Bonded Debt to Assessed Valuation 1.29%

Net General Bonded Debt Per Capita \$357.75

The Ohio Revised Code provides that the net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the assessed value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total assessed value of property. The City's total debt limit (10.5 percent) is \$146,531,716 and unvoted debt limit (5.5 percent) is \$76,754,708. These debt limitations are not expected to affect the financing of any currently planned facilities or services.

Additional information on the City's long-term debt can be found in Note 7 to the financial statements on pages 41 - 43.

FACTORS EXPECTED TO IMPACT THE CITY'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

We believe that the level and trend of our municipal income tax receipts (cash basis) is the best indicator of economic activity in the City. Further, along with the level of spending, it is one of the two most important determinants of our financial condition.

From 1989 through 2001 income tax receipts (on a cash basis) increased every year. The smallest annual increases were 3.0% in 1991 and 3.1% in 2001 when the national economy was affected by recessions. Over the ten-year period from 1992 through 2001, the annual increases averaged 7.4%.

Around the middle of 2001 income tax collections began to run negative compared to year earlier collections. This pattern continued throughout 2002 with the collections for that year off 2.2% from 2001. Collections were slightly better in 2003, up 0.9% over 2002. In the current year, collections in the first quarter of 2004 were down each month and by 6.4% for the quarter compared to 2003. Collections in the second quarter were up each month and by 6.9% for the quarter compared to 2003. For the first half of 2004, income tax collections are 0.2% more than the year ago.

We are hopeful that the trend we see means that we will be realizing positive year to year results going forward. Our region did not seem to participate fully in the national economic recovery last year. The recent improvement in our collections mirrors the abrupt change in the national monthly jobs created statistics that occurred within the last few months. This causes us to believe cautiously that our local economy now will resume a good rate of growth for the foreseeable future.

The City's December 31, 2004 General Fund unencumbered balance is budgeted at \$4.5 million, which is 11% of budgeted revenues of \$40.4 million (excluding \$9.3 million of intergovernmental pass-through revenues).

The 2004 income tax receipts (cash basis) are budgeted at \$27.8 million, which is 3.8% more than was received in 2003. As mentioned above, actual collections for the first half of 2004 are up only 0.2%. Every one percentage point deviation for all of 2004 from the 3.8% budgeted increase will have a \$267,000 impact on the December 31, 2004 unencumbered balance.

Typically the City spends significantly less than the budgeted General Fund expenditures. Excluding variances caused by pass-through spending paid for by intergovernmental revenue, the appropriated amounts were underspent by \$4.7 million in 2001, \$6.2 million in 2002, and \$4.2 million in 2003. We expect this pattern will continue in 2004 with underspending of the budgeted expenditures and a consequently higher December 31, 2004 unencumbered balance than the \$4.5 million budgeted. However, the amount of underspending in 2004 probably will be less than in previous years, because the 2004 budget is tighter.

The City pays its employees bi-weekly, which means that in most years the budget and expenses are for 26 payrolls. In 2004, there are 27 payrolls, so the budget includes \$1.1 million of expense more than normal and which will not need to be budgeted in 2005 and thereafter for many years.

Late in 2004, the City will complete the railroad overpass on Heisley Road and will be entitled to payments from two railroads of \$1.6 million. We did not budget the receipt of this in 2004 because we were not confident that it would be received within the year. Consequently, our 2005 budget will benefit by this one-time \$1.6 million.

The Mentor Exempted Village School District, which is not part of the City's reporting entity, is currently having financial difficulties, as are many Ohio school districts. In February 2004, the Auditor of the State of Ohio announced that the Mentor school district's financial condition had deteriorated to such a level that a fiscal emergency was declared and an independent commission was appointed under Ohio law to develop and implement a fiscal recovery plan and monitor the District's finances. As part of the plan a 7.9 mill 5-year operating levy has been placed on the ballot for the August 3, 2004 election. The ultimate impact of this matter on the City's long-term financial condition cannot be determined.

NEED ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, City of Mentor, 8500 Civic Center Boulevard, Mentor, Ohio 44060.

CITY OF MENTOR, OHIO

STATEMENT OF NET ASSETS DECEMBER 31, 2003

ASSETS

Cash and investments	\$ 19,814,640
Receivables, net of allowance for uncollectible accounts	25,263,099
Due from other governments	4,033,528
Inventory	481,503
Prepaid expenses	35,086
Land held for resale	138,000
Nondepreciable capital assets	58,224,580
Depreciable capital assets, net of accumulated depreciation	<u>106,932,988</u>
Total assets	<u>214,923,424</u>

LIABILITIES

Accounts payable and accrued liabilities	4,651,834
Deposits	441,194
Deferred revenues	8,791,795
Long-term obligations:	
Due within one year	3,159,118
Due in more than one year	<u>26,934,029</u>
Total liabilities	<u>43,977,970</u>

NET ASSETS

Invested in capital assets, net of related debt	137,537,568
Restricted for:	
Debt service	9,869,233
Capital projects	526,096
Streets and public safety	4,304,140
Unrestricted	<u>18,708,417</u>
Total net assets	<u>\$ 170,945,454</u>

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

CITY OF MENTOR, OHIO

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<u>Functions/Programs:</u>					
Governmental Activities:					
General government	\$ 7,545,494	\$ 1,887,632	\$ 49,124	\$ -	\$ (5,608,738)
Police	10,013,387	89,162	100,731	55,420	(9,768,074)
Fire	9,070,349	43,782	88,218	100,000	(8,838,349)
Streets and highways	12,170,074	1,143,244	341,133	5,430,713	(5,254,984)
Parks, recreation and public lands	7,187,899	2,686,242	71,606	1,974,932	(2,455,119)
Community development	1,229,646	49,142	162,339	180,374	(837,791)
Engineering and building	1,882,276	660,744	275,111	-	(946,421)
Interest and other charges	<u>1,710,007</u>	<u>-</u>	<u>-</u>	<u>542,586</u>	<u>(1,167,421)</u>
Total governmental activities	<u>\$ 50,809,132</u>	<u>\$ 6,559,948</u>	<u>\$ 1,088,262</u>	<u>\$ 8,284,025</u>	<u>(34,876,897)</u>
General revenues:					
Municipal income taxes					26,338,127
Property taxes levied for:					
General purpose					1,306,313
Special revenue					1,941,861
Debt service					1,634,249
Other local taxes					732,210
Shared revenues					6,914,549
Grants and contributions					59,612
Unrestricted investment earnings					680,325
Other					<u>412,295</u>
Total general revenues					<u>40,019,541</u>
Change in net assets					5,142,644
Net assets at beginning of year					<u>165,802,810</u>
Net assets at end of year					<u>\$ 170,945,454</u>

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

CITY OF MENTOR, OHIO

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	<u>General</u>	<u>Special Assessment Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 15,653,671	\$ 219,219	\$ 3,941,750	\$ 19,814,640
Receivables, net of allowance for doubtful accounts	8,062,670	13,124,275	4,076,154	25,263,099
Due from other funds	452,389	-	838	453,227
Due from other governments	2,686,882	-	1,346,646	4,033,528
Inventory	481,503	-	-	481,503
Land held for resale	-	138,000	-	138,000
TOTAL ASSETS	<u>\$ 27,337,115</u>	<u>\$ 13,481,494</u>	<u>\$ 9,365,388</u>	<u>\$ 50,183,997</u>
LIABILITIES				
Accounts payable	\$ 910,362	\$ -	\$ 462,248	\$ 1,372,610
Accrued payroll and employee benefits	2,678,974	-	-	2,678,974
Other accrued liabilities	442,168	12,072	16,800	471,040
Deposits	441,194	-	-	441,194
Due to other funds	-	1,714	451,513	453,227
Deferred revenue	4,775,581	13,248,489	5,063,396	23,087,466
Total liabilities	<u>9,248,279</u>	<u>13,262,275</u>	<u>5,993,957</u>	<u>28,504,511</u>
FUND BALANCES				
Reserved for:				
Inventory	481,503	-	-	481,503
Debt service	-	219,219	173,787	393,006
Encumbrances	2,550,078	-	736,432	3,286,510
Unreserved, reported in:				
General fund	15,057,255	-	-	15,057,255
Special revenue funds	-	-	2,830,931	2,830,931
Capital project funds	-	-	(369,719)	(369,719)
Total fund balances	<u>18,088,836</u>	<u>219,219</u>	<u>3,371,431</u>	<u>21,679,486</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 27,337,115</u>	<u>\$ 13,481,494</u>	<u>\$ 9,365,388</u>	

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. 165,157,568

Other long-term assets are not available to pay for current -period expenditures and, therefore, are deferred in the funds. 14,201,547

Long-term liabilities, including bonds and claims payable, are not due and payable in the current period and, therefore, are not reported in the funds. (30,093,147)

Net assets of governmental activities \$ 170,945,454

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

CITY OF MENTOR, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Special Assessment Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property taxes	\$ 1,386,305	\$ -	\$ 3,576,111	\$ 4,962,416
Municipal income taxes	26,435,708	-	-	26,435,708
Other local taxes	-	-	732,210	732,210
Intergovernmental	10,065,245	-	2,977,323	13,042,568
Charges for services	2,726,280	-	108,963	2,835,243
Fines and forfeitures	1,195,376	-	261,859	1,457,235
Licenses, permits, and inspections	1,099,716	-	10,545	1,110,261
Special assessments	-	1,283,958	1,053,401	2,337,359
Investment income	680,325	-	77,871	758,196
Donations and other	699,689	-	63,635	763,324
Total revenues	<u>44,288,644</u>	<u>1,283,958</u>	<u>8,861,918</u>	<u>54,434,520</u>
EXPENDITURES:				
Current:				
General government	7,254,548	-	132,669	7,387,217
Police	8,904,309	-	594,943	9,499,252
Fire	6,922,959	-	1,661,806	8,584,765
Streets and highways	6,765,589	-	2,435,426	9,201,015
Parks, recreations and public lands	5,893,284	-	122,793	6,016,077
Community development	1,046,266	-	170,986	1,217,252
Engineering and building	1,766,664	-	40,395	1,807,059
Capital outlay	8,744,368	-	1,457,358	10,201,726
Debt service:				
Principal retirement	10,000	745,809	1,174,191	1,930,000
Interest and other expenditures	-	635,123	1,084,413	1,719,536
Total expenditures	<u>47,307,987</u>	<u>1,380,932</u>	<u>8,874,980</u>	<u>57,563,899</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(3,019,343)</u>	<u>(96,974)</u>	<u>(13,062)</u>	<u>(3,129,379)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	500,181	500,181
Operating transfers out	(17,348)	-	(482,833)	(500,181)
Total other financing sources (uses)	<u>(17,348)</u>	<u>-</u>	<u>17,348</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(3,036,691)	(96,974)	4,286	(3,129,379)
FUND BALANCES AT BEGINNING OF YEAR				
(As Restated - see Note 2)	21,147,653	316,193	3,367,145	24,830,991
CHANGE IN RESERVE FOR INVENTORY	<u>(22,126)</u>	<u>-</u>	<u>-</u>	<u>(22,126)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 18,088,836</u>	<u>\$ 219,219</u>	<u>\$ 3,371,431</u>	<u>\$ 21,679,486</u>

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

CITY OF MENTOR, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2003

Amount reported for governmental activities in the statement of activities (page 20) are different because:

Net change in fund balances - total governmental funds (page 22)	\$ (3,129,379)
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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,425,784
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,562,432
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due.	1,939,529
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.	<u>(655,722)</u>
Changes in net assets of governmental activities (page 20)	<u>\$ 5,142,644</u>

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

CITY OF MENTOR, OHIO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

(NON-GAAP BUDGETARY BASIS)

YEAR ENDED DECEMBER 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:				
Property taxes	\$ 1,388,200	\$ 1,388,200	\$ 1,386,305	\$ (1,895)
Municipal income tax	27,080,000	27,080,000	26,725,365	(354,635)
Intergovernmental	16,621,839	10,211,678	9,751,887	(459,791)
Charges for services	2,630,100	2,630,100	2,726,280	96,180
Fines and forfeitures	1,091,000	1,091,000	1,186,881	95,881
Licenses, permits, and inspections	1,096,700	1,096,700	1,099,716	3,016
Investment income	1,115,000	1,115,000	1,068,691	(46,309)
Other	<u>59,300</u>	<u>59,300</u>	<u>699,689</u>	<u>640,389</u>
Total revenues	<u>51,082,139</u>	<u>44,671,978</u>	<u>44,644,814</u>	<u>(27,164)</u>
EXPENDITURES:				
Function:				
General government	8,166,901	8,572,483	6,823,096	1,749,387
Police	9,849,244	9,918,219	9,317,000	601,219
Fire	9,611,941	9,723,775	8,903,393	820,382
Street and highways	22,155,110	17,182,469	14,072,150	3,110,319
Parks, recreation and public lands	8,140,623	8,317,298	6,944,847	1,372,451
Community development	1,127,720	1,127,720	1,048,252	79,468
Engineering and building	<u>3,309,406</u>	<u>3,309,406</u>	<u>2,679,814</u>	<u>629,592</u>
Total expenditures	<u>62,360,945</u>	<u>58,151,370</u>	<u>49,788,552</u>	<u>8,362,818</u>
Excess of expenditures over revenues	<u>(11,278,806)</u>	<u>(13,479,392)</u>	<u>(5,143,738)</u>	<u>8,335,654</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	-	(17,348)	(17,348)	-
Advances in	1,341,000	1,341,000	1,059,473	(281,527)
Advances out	<u>-</u>	<u>(451,513)</u>	<u>(451,513)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,341,000</u>	<u>872,139</u>	<u>590,612</u>	<u>(281,527)</u>
Excess expenditures and other uses over revenues and other sources	<u>(9,937,806)</u>	<u>(12,607,253)</u>	<u>(4,553,126)</u>	<u>8,054,127</u>
Adjustment for prior year encumbrances	3,502,828	3,502,828	3,502,828	-
FUND BALANCES, BEGINNING OF YEAR	<u>10,606,057</u>	<u>10,606,057</u>	<u>10,606,057</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,171,079</u>	<u>\$ 1,501,632</u>	<u>\$ 9,555,759</u>	<u>\$ 8,054,127</u>

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

CITY OF MENTOR, OHIO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS DECEMBER 31, 2003

	Cemetery Bequest and Endowment Private-Purpose Trust Fund	Municipal Court Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 25,890	\$ 62,331
LIABILITIES		
Accounts payable	\$ 418	\$ -
Accrued Liabilities	-	2,157
Deposits	<u>-</u>	<u>60,174</u>
Total liabilities	<u>418</u>	<u>\$ 62,331</u>
NET ASSETS		
Held in trust for decoration of specific graves	<u>\$ 25,472</u>	

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

CITY OF MENTOR, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Cemetery Bequest and Endowment Private-Purpose Trust Fund</u>
ADDITIONS	
Investment income	\$ 1,111
Donations and other	<u>154</u>
Total additions	<u>1,265</u>
DEDUCTIONS	
Administrative expenses	<u>1,407</u>
Total deductions	<u>1,407</u>
Change in net assets	(142)
Net assets - beginning of year	<u>25,614</u>
Net assets - end of year	<u>\$ 25,472</u>

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

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 1 – DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

The City: The City of Mentor, Ohio (the “City”) was organized under the present system of government effective January 1, 1963 and was incorporated as a home rule municipal corporation under the laws of the State of Ohio. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, parks and recreation, public improvements, community development (planning and zoning), and general administrative services.

Reporting Entity: The accompanying financial statements as of December 31, 2003 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to local governments. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”).

In evaluating how to define the governmental reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the City (“primary government”) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City’s financial reporting entity has no component units but includes the Mentor Municipal Court (the “Court”) as part of the City’s primary government in the determination of the City’s reporting entity. The Court’s operations are not legally separate from the City. In addition, the City is responsible for budgeting and appropriating funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City’s share of the fines collected by the Court, along with its share of the Court’s administrative and operating costs, are recorded in the City’s General Fund. Moneys held by the Court in a fiduciary capacity are included in the agency fund in the accompanying basic financial statements, as further discussed in Note 5. No other organizations are included as part of the City’s reporting entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Model: The accounting policies and financial reporting practices of the City comply with GAAP applicable to governmental units. Effective January 1, 2003, the City changed its financial reporting by implementing the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These “Reporting Model” statements affect the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. As part of the implementation of GASB Statement Nos. 34 and 37, the City has also opted to fully implement retroactive infrastructure reporting as prescribed by GASB Statement No. 34. Accordingly, the depreciated value of the historical cost of infrastructure assets (retroactive to January 1, 1980) is included as part of the governmental activities’ capital assets reported in the City’s government-wide statement of net assets. The implementation of these GASB statements resulted in a change in beginning fund balances as presented in the fund financial statements, which are reported using the modified accrual basis of accounting.

Restatement of Fund Balances: The implementation of these statements had the following effects on fund balances of the major and non-major funds of the City as they were previously reported.

	General Fund	Special Assessment Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances, December 31, 2002	\$ 20,960,673	\$ 316,193	\$ 3,275,100	\$ 24,551,966
Change in expendable trust fund classification	-	-	92,045	92,045
Other	<u>186,980</u>	<u>-</u>	<u>-</u>	<u>186,980</u>
Restated Fund Balances, December 31, 2002	<u>\$ 21,147,653</u>	<u>\$ 316,193</u>	<u>\$ 3,367,145</u>	24,830,991
GASB 34 Adjustments:				
Capital Assets				158,714,439
Long-Term Liabilities				(32,066,493)
Accrued Interest Payable				(138,738)
Deferred Revenues				<u>14,462,611</u>
Net Assets, December 31, 2002				<u>\$ 165,802,810</u>

Significant Accounting Policies:

The following is a summary of the more significant policies followed during the preparation of the accompanying financial statements.

A. Government-wide and fund financial statements

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the City is presented in the following format:

Basic Financial Statements:

1. *Government-wide financial statements* consist of a statement of net assets and a statement of activities. These statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the City. Governmental activities are normally supported by taxes and intergovernmental revenues. Fiduciary funds of the City are not included in these government-wide financial statements.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Interfund receivables and payables have been eliminated in the government-wide statement of net assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental activities total column.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental funds. Separate statements are presented for the governmental and fiduciary funds.

The City's major governmental funds are the General Fund and Special Assessment Bond Retirement Fund.

The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in other funds. Its revenues consist primarily of income and property taxes, investment earnings, shared revenues, charges for services, and fines and forfeitures.

General Fund expenditures represent costs of general government; police; fire; streets and highways; parks, recreation and public lands; community development; and engineering and building. General Fund resources are also transferred annually to support other services which are accounted for in other separate funds.

The Special Assessment Bond Retirement Fund is used to account for the accumulation of resources for the payment of special assessment long-term debt principal, interest, and related costs.

Also maintained by the City are fiduciary funds, such as private-purpose trust funds and agency funds, used to account for either legal trust arrangements which benefit individuals, private organizations, or other governments or assets held by the City as an agent for individuals, private organizations or other governments.

3. *The City's General Fund budget to actual statement* is presented as part of the basic financial statements.
4. *Notes* to the financial statements provide information that is essential to a user's understanding of the basic financial statements.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

B. *Financial reporting presentation*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (equity), revenues, and expenditures (expenses). The fund types and classifications that exist under GAAP are as follows:

GOVERNMENTAL FUNDS

1. **General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
2. **Special Revenue Funds** - Special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by legal, regulatory or administrative provisions. These funds include most federal and state grants.
3. **Debt Service Funds** - Debt service funds are used to account for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal, interest, and related costs.
4. **Capital Projects Funds** - The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital projects.
5. **Permanent Funds** - Permanent funds are used for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting government's programs. During 2003, the City did not utilize any permanent funds.

PROPRIETARY FUNDS

1. **Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. During 2003, the City did not utilize any permanent funds.
2. **Internal Service Funds** - The internal service funds are used to account for the financing of goods or services provided by one department to other departments or to other governments on a cost-reimbursement basis. During 2003, the City did not utilize any permanent funds.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

FIDUCIARY FUNDS

1. **Private-purpose Trust Funds** - Private-purpose trust funds are used to account for trust arrangements which benefit individuals, private organizations, or other governments. For accounting measurement purposes, the private-purpose trust funds are accounted for in essentially the same manner as proprietary funds.
2. **Agency Funds** - Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. For accounting measurement purposes, the agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.
3. **Other Fiduciary Funds** - Other fiduciary funds include pension trust funds and investment trust funds. During 2003, the City did not utilize any such trust funds.

Fiduciary Funds are not included in the government-wide statements.

C. *Measurement focus and basis of accounting*

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, property taxes, grants, shared revenue, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxpayer's liability occurs and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City. Revenue from grants 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 year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a cost reimbursement basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City generally

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

In applying the susceptible-to-accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days after year-end and available to pay obligations of the current period): income taxes, investment earnings, and shared revenues. Reimbursements due for federal or state funded projects are accrued as revenue at the time the expenditures are made or, when received in advance, deferred until expenditures are made. Property taxes and special assessments, though measurable, are not available to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available. Other revenues, including licenses, fees, fines and forfeitures and charges for services are recorded as revenue when received in cash because they are generally not measurable until actually received.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. *Budgetary Procedures*

Budgetary Process: 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 ordinance. These budgetary documents are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. The tax budget and appropriation ordinance are prepared under the direction of the City Manager and submitted to City Council for adoption. Budgeted expenditures represent original appropriations as modified by adjustments during the year. The primary level of budgetary control is at the departmental level. Budget revisions within appropriated amounts are subject to the approval of the City Manager. Changes in a department's total appropriation require action by City Council. For the year ended December 31, 2003, expenditures did not exceed appropriations in any individual department.

Tax Budget: A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources: The County Budget Commission certifies its actions to the City by September 1. As part of this process, the City receives the official certificate of estimated resources which states the projected cash receipts of each fund. On or about January 1, this certificate is amended to include actual unencumbered cash balances from the preceding year.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Appropriations: A temporary appropriation ordinance to control expenditures (expenses) may be passed on or about January 1 for the period through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance may be amended during the year as new information becomes available, provided that total appropriations do not exceed certified estimated resources, as amended. At the end of the fiscal year, all unexpended and unencumbered balances of operating appropriations revert to the fund from which the original appropriation was made, where they become available for future appropriation. Appropriations are adopted by City Council for all funds except the Municipal Court Fund (Agency Fund); however, the City is only required to report herein on the budget adopted for the General Fund.

GAAP/Budget Reconciliation: The City's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP basis). The major differences between the budgetary basis and the GAAP basis is that financial transactions are recorded on a cash and encumbrance basis (budgetary basis) as opposed to when susceptible to accrual (GAAP).

A reconciliation of the General Fund's results of operations for 2003 reported on the budget basis versus the GAAP basis is as follows:

Excess of expenditures and other financing uses over revenues and other financing sources	\$ (4,553,126)
Adjustments:	
Revenue accruals	(1,415,543)
Expenditure accruals	344,855
Encumbrances	<u>2,587,112</u>
Net decrease in fund balance	<u>\$ (3,036,702)</u>

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the future expenditure of funds are recorded in order to reserve a portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the City's budgetary basis of accounting.

The City honors the contracts represented by year-end encumbrances, and the related appropriations are carried forward to the succeeding year. For governmental fund financial statements reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

The budget and actual expenditures included in the General Fund budgetary statement include all expenditures made during the year under the City's budgetary basis of accounting, including expenditures made in the current year that were encumbered and appropriated in the prior year.

E. ***Other Significant Accounting Policies***

Cash and Investments: Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the Director of Finance. Interest earned on pooled cash and investments is distributed to the General Fund, (except in cases where state law or City ordinances require that the income be allocated to certain specific funds), utilizing a formula based on the month-end balance of cash and investments of each fund.

The City reports its investments at fair value based on quoted market values and recognizes the corresponding change in the fair value of the investments as investment earnings in the year in which the change occurs.

Inventory: Inventory is valued at cost using the first-in, first-out (FIFO) method and consists of expendable supplies held for consumption and items held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund financial statements at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net assets.

Capital Assets: Capital assets, which include land, land improvements, buildings (including renovations and improvements), equipment, and infrastructure assets are reported in the governmental activities column in the government-wide financial statements to the extent the City’s capitalization threshold is met. The City defines capital assets as assets with an estimated useful life in excess of one year and an individual cost of more than \$1,000. Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed fixed assets are recorded at their estimated fair market value on the date contributed.

As permitted under the implementation provisions of GASB Statement No. 34, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements prior to January 1, 1980 have not been included as part of governmental capital assets in the government-wide financial statements.

Costs for maintenance and repairs are expensed when incurred. However, costs for repairs and upgradings that materially add to the value or life of an asset and meet the above criteria are capitalized.

The City depreciates capital assets on a straight-line basis using the following estimated useful lives:

Assets	Years
Land improvements	20
Buildings and improvements	20-40
Equipment	3-20
Infrastructure	25-50

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Compensated Absences: The City accrues for accumulated, unpaid vacation and sick leave earned using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. In the government-wide financial statements, the entire amount of unpaid vacation and sick leave is reported as a liability. A liability for accumulated, unpaid vacation and sick leave is accrued in the governmental fund financial statements only if the amount is currently due and payable at year end. These amounts are recorded as accrued payroll and employee benefits in the fund from which the employees who have accumulated leave are paid. The remaining portion of the liability is not reported in the governmental fund financial statements.

Normally, all vacation time is to be taken in the year available unless approval for carryover is obtained. City employees also earn sick leave which, if not taken, accumulate until retirement. Upon retirement, an employee with ten or more years of service is paid one-third of accumulated sick leave, subject to certain limitations, calculated at current wage rates.

Long-Term Obligations: In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Losses on advance refundings are deferred and amortized over the life of the new debt, or the life of the advance refunded debt, whichever is shorter. Bonds payable are reported net of the applicable unamortized bond premium, discount or advance refunding losses. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized as revenues or expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

Fund Balances: In the governmental fund financial statements, reservations of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Grants and Other Intergovernmental Revenues: Grants and assistance awards made on the basis of entitlement programs are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures (expenses) are incurred.

Interfund Transactions: During the course of normal operations, the City has numerous transactions between funds, including the allocation of centralized expenses and transfers of resources to provide services, construct assets and service debt. Such transactions are generally reflected as operating transfers or direct expenses of the fund that is ultimately charged for such costs.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

F. *Recently Issued Accounting Pronouncements*

During May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which clarifies existing accounting guidance and provides greater consistency in accounting for organizations that are closely related to a primary government. The standard, which is effective for fiscal years beginning after June 15, 2003, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a state or local government. The City has not completed an analysis of the impact of this statement on its reported financial condition and results of operations.

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*. This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The City has not determined the impact, if any, that this statement will have on its financial statement disclosures.

During November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. Under provisions of this Statement, a capital asset is considered impaired when its service has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2004. The City has not determined the impact, if any, that this Statement will have on its financial statements.

NOTE 3 - CASH AND INVESTMENTS

The City's cash and investment policy is governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. These items permit the City to invest its moneys in certificates of deposit, savings accounts, certain money market funds, bankers acceptances, obligations of the U.S. government, U.S. government agencies and government sponsored enterprises, and repurchase agreements backed by securities of the U.S. government or certain agencies or sponsored enterprises thereof. The City also may invest in shares of three mutual funds which invest in corporate and GNMA bonds: Vanguard Short-Term Corporate Fund, Vanguard Intermediate-Term Corporate Fund, and Vanguard GNMA Fund.

In accordance with the above mentioned statutes, public depositories must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation or may pledge a pool of securities with a statutory value of at least 105 percent of the total uninsured amount of public moneys on deposit at the institution. Repurchase agreements are secured by the specific government security acquired under the repurchase agreement. Bankers acceptances are secured by the specific property covered by the bankers acceptance. All Collateral, whether specific or pooled, is held by a Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the City.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Deposits: Under the provisions of Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, deposits are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by pledging financial institution's trust department or agent in the entity's name, or (3) uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the entity's name. At December 31, 2003, the carrying amount of the City's deposits including certificates of deposit was \$1,061,701 and the bank balance was \$1,866,609 of which \$250,442 was covered by Federal depository insurance and \$1,616,167 was uninsured and uncollateralized as defined by GASB. The uncollateralized deposits were, however, covered by a pledged collateral pool not held in the City's name, as permitted under Ohio law.

Investments: The City's investments are categorized as follows in accordance with the provisions of GASB Statement No. 3 to give an indication of the level of credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name; Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the City's name; and Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or its trust department or agent but not in the City's name.

The City's investments are shown below:

<u>Type of Investment</u>	<u>Category</u>	<u>Fair Value</u>	<u>Cost</u>
U. S. government securities	1	\$ 1,081,020	\$ 1,085,750
Federal Home Loan Bank securities	3	2,565,758	2,522,417
Fannie Mae securities	3	1,089,770	994,920
Federal Home Loan Mortgage Corporation securities	3	1,029,720	1,016,837
Federal Farm Credit Bank securities	3	768,653	750,638
Banker's Acceptances	3	641,457	639,144
Vanguard Intermediate-Term Corporate Fund	N/A	4,293,195	4,000,000
Vanguard Short-Term Corporate Fund	N/A	4,070,336	4,000,000
Vanguard GNMA Fund	N/A	3,106,041	3,000,000
STAROhio	N/A	<u>836,667</u>	<u>836,667</u>
Total Investments		19,482,617	18,846,373
Total Deposits		<u>420,244</u>	<u>422,557</u>
Total Deposits and Investments		<u>\$ 19,902,861</u>	<u>\$ 19,268,930</u>

STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. This investment is not classified by credit risk category because it does not exist in physical or book entry form. The fair value of the City's position in the investment pool is equal to the fair value of the underlying assets of the pool. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

The three Vanguard investments are no-load mutual funds that are registered with the Securities and Exchange Commission as investment companies. The fair value of the City's position in these funds is equal to the fair value of the underlying assets of each. These investments are not classified by credit risk category because they do not exist in physical or book entry form.

Reconciliation to Financial Statements: Total cash and investments are reported as follows:

Government-Wide Financial Statements

Unrestricted: Cash and investments	<u>\$19,814,640</u>
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Fund Financial Statements

Balance Sheet — Governmental Funds: Cash and investments	\$19,814,640
Statement of Fiduciary Net Assets: Cash	<u>88,221</u>
Total	<u>\$19,902,861</u>

NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

Receivables consist of the following at December 31, 2003:

	Income Taxes	Property Taxes	Special Assess- ments	Other	Gross Receivables	Allowance for Uncol- lectibles	Net
Governmental Activities							
Governmental Funds							
General Fund	\$ 6,453,265	\$ 1,843,327	\$ -	\$ 244,561	\$ 8,541,153	\$ (478,483)	\$ 8,062,670
Special Assessment							
Bond Retirement Fund	-	-	13,184,274	-	13,184,274	(59,999)	13,124,275
Other Governmental							
Funds	<u>-</u>	<u>4,039,549</u>	<u>20,381</u>	<u>22,856</u>	<u>4,082,786</u>	<u>(6,632)</u>	<u>4,076,154</u>
Total Receivables	<u>\$ 6,453,265</u>	<u>\$ 5,882,876</u>	<u>\$ 13,204,655</u>	<u>\$ 267,417</u>	<u>\$ 25,808,213</u>	<u>\$ (545,114)</u>	<u>\$ 25,263,099</u>

Governmental fund financial statements report deferred revenue pertaining to receivables that are not considered to be available to liquidate liabilities of the current period. Revenue recognition is also deferred with respect to grant revenues that have been received, but all eligibility requirements have not been met. For purposes of the government-wide financial statements, the availability criteria is not considered in determining deferred revenue.

The various components of deferred revenue reported in the accompanying financial statements were as follows:

	<u>Government-Wide Statement of Net Assets</u>	<u>Governmental Funds Balance Sheet</u>
Governmental Funds:		
General Fund:		
Property tax receivable	\$ 1,265,550	\$ 1,265,206
Income tax receivable	-	1,898,923
State shared revenue receivable	-	1,268,590
Intergovernmental revenue receivable	<u>-</u>	<u>342,862</u>
Total General Fund	<u>1,265,550</u>	<u>4,775,581</u>
Special Assessment Bond Retirement Fund:		
Special assessment receivable and land held for resale	<u>3,772,811</u>	<u>13,248,489</u>
Other Governmental Funds:		
Property tax receivable	3,753,434	3,771,865
Income tax receivable	-	14,290
State shared revenue receivable	-	827,301
Intergovernmental revenue receivable	<u>-</u>	<u>449,940</u>
Total other governmental funds	<u>3,753,434</u>	<u>5,063,396</u>
Total Deferred Revenue	<u>\$ 8,791,795</u>	<u>\$ 23,087,466</u>

NOTE 5 – MUNICIPAL COURT

The Mentor Municipal Court was created by Section 1901.2 of the Ohio Revised Code and has territorial jurisdiction over the City of Mentor and the City of Mentor-on-the-Lake. The Mentor Municipal Court has preliminary hearing jurisdiction in felony cases, original jurisdiction in civil cases when the amount in dispute does not exceed \$15,000, original jurisdiction in traffic and non-traffic misdemeanor cases, and exclusive original jurisdiction in small claims cases.

The collection activities of the Municipal Court are accounted for in a separate Agency Fund in the accompanying basic financial statements. Fines and costs collected by the Municipal Court and related to the City of Mentor are recorded as revenue in the General Fund. The costs associated with the operations of the Municipal Court are borne by the City and recorded in the General Fund. Fines and costs collected for the State of Ohio, subdivisions thereof, and individuals, which have not been disbursed as of year-end, are recognized as liabilities in the Municipal Court Agency Fund.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 6 – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance January 1, 2003	Additions	Deductions	Balance December 31, 2003
	(Amount in 000's)			
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 50,737	\$ 1,644	\$ (27)	\$ 52,354
Construction in progress	<u>4,793</u>	<u>4,858</u>	<u>(3,780)</u>	<u>5,871</u>
Total capital assets, not being depreciated	<u>55,530</u>	<u>6,502</u>	<u>(3,807)</u>	<u>58,225</u>
Capital assets, being depreciated:				
Land improvements	6,562	236		6,798
Buildings and improvements	38,694	1,722	(566)	39,850
Equipment	16,867	923	(226)	17,564
Infrastructure	<u>86,638</u>	<u>5,844</u>		<u>92,482</u>
Cost	<u>148,761</u>	<u>8,725</u>	<u>(792)</u>	<u>156,694</u>
Less accumulated depreciation for:				
Land improvements	(4,400)	(229)		(4,629)
Buildings and improvements	(10,447)	(1,050)	383	(11,114)
Equipment	(8,892)	(1,559)	208	(10,243)
Infrastructure	<u>(21,837)</u>	<u>(1,938)</u>		<u>(23,775)</u>
Total accumulated depreciation	<u>(45,576)</u>	<u>(4,776)</u>	<u>591</u>	<u>(49,761)</u>
Total accumulated assets being depreciated, net	<u>103,185</u>	<u>3,949</u>	<u>(201)</u>	<u>106,933</u>
Capital assets, net	<u>\$ 158,715</u>	<u>\$ 10,451</u>	<u>\$ (4,008)</u>	<u>\$ 165,158</u>

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

	(Amounts in 000's)
Governmental Activities:	
General government	\$ 188
Police	569
Fire	480
Streets and highways	2,309
Parks, recreation and public lands	1,175
Community development	12
Engineering and building	<u>43</u>
Total depreciation expense charged to governmental activities	<u>\$ 4,776</u>

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Construction Commitments: Significant capital commitments of the City as of December 31, 2003 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	(Amounts in 000's)	
Heisley Road improvements	\$6,527	\$7,532

NOTE 7 – DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of the changes in the debt and other long-term obligations of the City during the year ended December 31, 2003 is as follows:

	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance December 31, 2003</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds due through 2017, 4.8% to 9.125%	\$ 19,335,015	\$ -	\$ (1,174,191)	\$ 18,160,824	\$ 1,218,680
Special Assessment Bonds due through 2022, 3% to 9.625%	10,184,985	-	(745,809)	9,439,176	781,320
Other Obligations:					
Compensated absences	2,466,493	96,863	(140,209)	2,423,147	1,149,118
Claims and judgments	50,000	-	-	50,000	-
Capital projects notes payable	<u>30,000</u>	<u>-</u>	<u>(10,000)</u>	<u>20,000</u>	<u>10,000</u>
Total Debt and Other Long-Term Obligations	<u>\$ 32,066,493</u>	<u>\$ 96,863</u>	<u>\$ (2,070,209)</u>	<u>\$ 30,093,147</u>	<u>\$ 3,159,118</u>

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Bonds payable at December 31, 2003 are comprised of the following issues:

	Amount of Original Issuance	Bonds Outstanding December 31, 2003
Governmental Activities Obligations:		
General unvoted obligations:		
1985 Police Facilities Bonds due in annual installments of \$170,000 through 2005, plus interest at 9.125%	\$ 3,200,000	\$ 375,000
1985 Community Center Bonds due in annual installments of \$125,000 through 2006, plus interest at 9.125%	2,500,000	340,000
1991 Street Improvement Bonds due in annual installments ranging from \$8,995 to \$26,728 through 2011, plus interest at rates varying between 6.5% to 7.15%	302,489	170,125
1993 Various Purpose Improvement Bonds due in annual installments ranging from \$112,864 to \$308,205, through 2013, plus interest at rates varying between 5.0% to 5.65%	3,820,000	2,430,910
1996 Various Purpose Improvement Bonds due in annual installments ranging from \$127,123 to \$400,926 through 2016, plus interest at rates varying from 5.5% to 5.6%	4,860,000	3,764,789
1997 Various Purpose Acquisition and Improvement Bonds due in annual installments of \$370,000 to \$1,125,000 through 2017, plus interest at rates varying between 4.8% to 5.25%	<u>13,680,000</u>	<u>11,080,000</u>
Total general obligation bonds	<u>28,362,489</u>	<u>18,160,824</u>
Special assessment obligations:		
1985 Great Lakes-East Avenue-Heisley Commerce Street Improvement Bonds due in annual installments of \$130,000 through 2006, plus interest at 9.625%	2,525,000	390,000
1987 Tyler Boulevard-White Oak Drive Improvement Bonds due in annual installments of \$85,000 to \$210,000 through 2007, plus interest at 7.9%	2,240,000	750,000
1991 Street Improvement Bonds due in annual installments ranging from \$166,005 to \$493,272 through 2011, plus interest at rates varying between 6.7% to 7.15%	5,582,511	3,139,875
1993 Various Purpose Improvement Bonds due in annual installments ranging from \$17,136 to \$46,795 through 2013, plus interest at rates varying between 5% to 5.65%	580,000	369,090
1996 Various Purpose Improvement Bonds due in annual installments ranging from \$2,877 to \$9,074 through 2016, plus interest at rates varying between 5.4% to 5.6%	110,000	85,211
2002 Tyler Boulevard Extension Bonds due in annual installments ranging from \$145,000 to \$375,000 through 2022, plus interest at rates varying between 3% to 4.7%	<u>4,850,000</u>	<u>4,705,000</u>
Total special assessment bonds	<u>15,887,511</u>	<u>9,439,176</u>
Total bonds	<u>\$44,250,000</u>	<u>\$27,600,000</u>

All bonds outstanding are backed by the full faith and credit of the City. It is the City's policy to pay debt service on the special assessment bonds from the related special assessment levies and any amounts being held in the Special Assessment Bond Retirement Fund, which are reserved for debt service.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

The following is a summary of the City's future debt service requirements as of December 31, 2003:

Year Ending December 31	Governmental Activities				
	General Obligation Bonds		Special Assessment Bonds		Total
	Principal	Interest	Principal	Interest	
2004	\$ 1,218,680	\$ 996,746	\$ 781,320	\$ 547,281	\$ 3,544,027
2005	1,278,315	921,846	831,685	495,202	3,527,048
2006	1,167,291	844,565	877,709	438,542	3,328,107
2007	1,106,377	778,679	798,623	377,766	3,061,445
2008	1,175,242	720,641	624,758	325,769	2,846,410
2009-2013	6,945,700	2,570,668	2,709,300	1,035,094	13,260,762
2014-2018	5,269,219	687,870	1,415,781	521,569	7,894,439
2019-2023	-	-	1,400,000	167,505	1,567,505
	<u>\$ 18,160,824</u>	<u>\$ 7,521,015</u>	<u>\$ 9,439,176</u>	<u>\$ 3,908,728</u>	<u>\$ 39,029,743</u>

Under the Ohio Revised Code, at December 31, 2003, the City legally could issue approximately \$58.7 million of additional, unvoted, general obligation debt.

Conduit Debt: From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the payments received by the bond trustee on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The bonds do not constitute a debt or pledge of the faith and credit of the City and, accordingly, have not been reported in the accompanying financial statements.

As of December 31, 2003, there were seven series of industrial revenue bonds outstanding. The aggregate principal amount payable for the three series issued since July 1, 1995, was \$7.5 million. The aggregate principal amount payable for the four series issued prior to July 1, 1995, could not be determined; however their original issue amounts totaled \$8.1 million.

NOTE 8 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2003, the Garfield Road Improvements and Headlands Road/Bridge Improvements Capital Project Funds had deficit fund balances of \$162,381 and \$275,112, respectively. In addition, the Community Development Block Grant 03-04 Special Revenue Fund had a deficit fund balance of \$6,566. These deficits will be eliminated through the receipt of grant proceeds during 2004. No other funds had deficit balances at December 31, 2003.

NOTE 9 – RISK MANAGEMENT

Self Insurance: The City is exposed to various risk of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to dental benefits provided to City employees and their covered dependents. The City is also self-insured for the cost of collision claims resulting from the use of City vehicles, except for fire and rescue vehicles that remain insured

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

through a private insurance company. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (“IBNRs”). Claims that meet this criteria are reported as liabilities in the government-wide statement of net assets.

The process of estimating claims liabilities depends on many complex factors, such as inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries from subrogation or otherwise, are another component of the claims liability estimate. The City’s financial activity relating to its self-insured risks is accounted for in the General Fund.

Changes in the estimated claims payable for self-insured risks (employee dental benefits) during the years ended December 31, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
Estimated claims payable, January 1	\$ 35,896	\$ 34,397
Current year claims (including IBNRs) and changes in estimates	226,870	204,515
Claim payments	<u>(222,000)</u>	<u>(203,016)</u>
Estimated claims payable, December 31	<u>\$ 40,766</u>	<u>\$ 35,896</u>

Insurance: The City purchases insurance policies in varying amounts for general liability, project damage, employee health care benefits, (excluding dental benefits) and employee and police officials’ liability, including errors and omissions of the City’s safety forces. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2003. There was no significant decrease in any insurance coverages in 2003. In addition, there were no insurance settlements in excess of insurance coverage during the past three fiscal years.

The City provides the choice of two separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers’ compensation program to provide workers’ compensation benefits to its employees.

NOTE 10 – CONTINGENCIES

The City participates in certain federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies should an audit be performed cannot be determined at this time, although the City expects any disallowance would be immaterial.

In addition, there are certain pending lawsuits in which the City is involved. The City’s management, after consultation with the city’s Law Director, is of the opinion that potential uninsured claims against the City are not material to the City’s basic financial statements.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 11 – INTERFUND TRANSACTIONS AND BALANCES

Interfund Transactions: During the course of normal operations, the City records numerous transactions between funds including expenditures and transfers of resources to provide services, subsidize operations, and service debt. The City has the following types of transactions among funds:

- (1) Nonreciprocal interfund transfers – Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes operating transfers to subsidize various funds.
- (2) Nonreciprocal interfund reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

For the year ended December 31, 2003, operating transfers consisted of the following:

Transfers Out	Total	Transfers In		
		General Fund	Other Governmental Funds	Total Governmental Funds
Governmental Funds:				
General	\$ 17,348	\$ -	\$ -	\$ -
Other governmental	<u>482,833</u>	<u>-</u>	<u>500,181</u>	<u>500,181</u>
Total Transfers Out	<u>\$ 500,181</u>	<u>\$ -</u>	<u>\$ 500,181</u>	<u>\$ 500,181</u>

Interfund balances: Interfund balances at December 31, 2003 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

Interfund receivable and payable balances as of December 31, 2003 are as follows:

Due To	Total	Due From			Total
		General Fund	Special Assessment Bond Retirement Fund	Other Governmental Funds	
Governmental Funds:					
General	\$ -	\$ 452,389	\$ -	\$ -	\$ 452,389
Special Assessment Bond Retirement	1,714	-	-	-	-
Other governmental	<u>451,513</u>	<u>-</u>	<u>-</u>	<u>838</u>	<u>838</u>
Total	<u>\$ 453,227</u>	<u>\$ 452,389</u>	<u>\$ -</u>	<u>\$ 838</u>	<u>\$ 453,227</u>

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 12 - TAXES

Income Taxes – A two percent City income tax is levied on substantially all income earned within the City. On May 7, 2002, the two percent income tax was renewed by the voters for a five year period through December 31, 2007. In addition, the residents of the City are required to pay City income tax on income they earn outside the City; however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to an intermediary collection agency (Central Collection Agency) at least quarterly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the collection agency. The collection agency remits taxes collected for the City each month, net of a charge for the cost of services and a credit for interest earned on amounts collected between remittances.

Property Taxes – Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied in October of the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued by appraisal every six years and, three years after each revaluation, all property values are reviewed and revised, as necessary, as part of a triennial update based on recent sales of properties. The last revaluation was completed in 2003. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable June 20. In certain instances, State statute permits earlier or later payment dates to be established.

Personal property (other than public utility) taxes are levied in October of the preceding calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

Public utility real and tangible personal property taxes collected in one calendar year are levied in October of the preceding calendar year on assessed values determined as of January 1 of that preceding year, the lien date.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mentor. The County Auditor periodically remits to the City its portion of taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

The assessed value upon which the 2002 levy (collected in 2003) was based was approximately \$1.4 billion. Ohio law limits unvoted property taxation, combined for all overlapping taxing authorities, to 10 mills. The City's current share of the unvoted property tax is 3 mills of assessed value, and the City's total property tax levy, including all voted levies, is 4.50 mills of assessed value.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 13 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System: All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employee public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar years 2003, 2002, and 2001 the employer pension contribution rates for the City were 13.55 percent of covered payroll. Contributions are authorized by State statute and the contribution rates are determined actuarially. The City’s required contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$1,783,700, \$1,676,300 and \$1,440,000, respectively, equal to the required payments for each year.

Ohio Police and Fire Pension Fund: The City contributes to the Ohio Police and Fire Pension Fund (“OP&F”), a cost sharing multiple employer public employee retirement system administered by the OP&F’s Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police and 24 percent for firefighters. Contributions are authorized by State statute. The City’s contributions to the OP&F for police and firefighters were \$925,586 and \$1,112,261 for the year ended December 31, 2003, \$853,881 and \$1,053,113 for the year ended December 31, 2002, and \$785,247 and \$1,036,092 for the year ended December 31, 2001, respectively, equal to the required payments for each year.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: The Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. Of the 2003 employer contribution rate of 13.55 percent of covered payroll, 5 percent was the portion that was used to fund health postretirement care benefits for 2003.

CITY OF MENTOR, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market value. For actual valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. At December 31, 2002, the number of active contribution participants in OPERS was 364,881. The City's actual contributions for 2003, which were used to fund postemployment benefits, were \$658,185. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002 (the latest information available) were \$10.0 billion. The actuarial liability and the unfunded actuarial liability were \$18.7 billion and \$8.7 billion, respectively.

Ohio Police and Fire Pension Fund: The Ohio Police and Fire Pension Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a two thirds basis.

The health care coverage provided by the OP&F is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code permits the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. Of the total police employer contribution of 19.5 percent of covered payroll and the total firefighter employer contribution of 24 percent of covered payroll, 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2003 that were used to fund post employment benefits were \$367,458 for police and \$359,260 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2002 (the latest information available) were \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002 was 13,527 police and 10,396 firefighters.



City of Mentor

Council-manager
government since 1963

8500 Civic Center Boulevard
Mentor, Ohio 44060-2499
440-255-1100
www.cityofmentor.com

Dear Users of City of Mentor's Basic Financial Statements:

The accompanying basic financial statements of the City of Mentor, Ohio as of and for the year ended December 31, 2003 include the financial statements and notes required under accounting principles generally accepted in the United States of America that are essential to fair presentation of the City of Mentor's financial position and changes in government-wide net assets and fund balances. Additional information regarding the City of Mentor's financial activities for 2003 is available in the City of Mentor's separately issued Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2003. Copies of the CAFR can be obtained by contacting me at:

City of Mentor, Ohio
8500 Civic Center Boulevard
Mentor, OH 44060-2499

Telephone: (440) 974-5770

Sincerely,

John C. Aten
Director of Finance

JCA/kh



CITY OF MENTOR, OHIO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal or Pass-Through Grant Number	Grant Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
<i>Direct Program</i>			
Community Planning and Development—			
Community Development Block Grants/Entitlement Grants	14.218	B-97-MC-39-0033	\$ 5,132
		B-98-MC-39-0033	5,039
		B-99-MC-39-0033	37,409
		B-00-MC-39-0033	14,167
		B-01-MC-39-0033	63,495
		B-02-MC-39-0033	<u>225,275</u>
Total CFDA 14.218			<u>350,517</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:			
<i>Direct Program</i>			
United States Fire Administration—			
Assistance to Firefighters Grant	83.554	EMW-2001-FG-06648	11,218
	83.554	EMW-2001-FG-06648	<u>48,309</u>
			<u>59,527</u>
<i>Pass-through Ohio Department of Public Safety</i>			
Public Assistance Program for Disaster			
Power System Failure Costs	97.036	FEMA-3187-EM-085-49056	<u>19,034</u>
<i>Pass-through Lake County Emergency Management Agency</i>			
Homeland Security 2002 Supplemental Grant			
County Threat and Risk Assessment	83.562	N/A	<u>479</u>
U.S. DEPARTMENT OF JUSTICE:			
<i>Direct Programs</i>			
Bureau of Justice Assistance			
Local Law Enforcement Block Grant Program	16.592	1998-LB-VX-3310	864
		2002-LB-BX-2793	<u>5,830</u>
Total CFDA 16.592			<u>6,694</u>
Bureau of Justice Assistance			
Federally Forfeited Property for State and Local Law Enforcement	(1)	N/A	<u>453,738</u>
Office of Community Oriented Policing Services—			
Public Safety Partnership and Community Policing Grants	16.710	2000SHWX0694	<u>20,833</u>
<i>Pass-through the Ohio Office of Criminal Justice Services</i>			
Office of Justice Programs—			
Crime Victims Assistance	16.575	2003-VAGEN531	<u>2,731</u>
Office of Justice Programs—			
Byrne Memorial Grant Program	16.579	2002-DG-H01-7396	<u>47,850</u>

(1) Federal CFDA number could not be identified.

See notes to the Supplemental Schedule of Expenditures of Federal Awards.

(Continued)

CITY OF MENTOR, OHIO

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal or Pass-Through Grant Number	Grant Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Pass-through Ohio Department of Public Safety</i>			
Emergency Medical Services for Children EMS-Based Injury Prevention	93.127	C34604	<u>4,808</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
<i>Pass-through Ohio Department of Public Safety</i>			
National Highway Traffic Safety Administration Law Enforcement Overtime	20.600	2004PTMN/1	<u>11,909</u>
<i>Pass-through Ohio Department of Transportation</i>			
Federal Highway Administration Heisley Road Grade Separation	20.205	TEA21-G020(253)/11231	<u>5,134,839</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$6,112,959</u></u>

See notes to the Supplemental Schedule of Expenditures of Federal Awards.

(Concluded)

CITY OF MENTOR, OHIO

NOTES TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2003

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the City of Mentor under programs financed by the U.S. government for the year ended December 31, 2003. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the cash basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

2. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA No.</u>	<u>2003 Grant Expenditures</u>
CDBG Entitlement Program	14.218	\$ 33,103

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Manager and Members of City Council of the
City of Mentor, Ohio

We have audited the basic financial statements of the City of Mentor, Ohio (the "City") as of and for the year ended December 31, 2003, and have issued our report thereon dated July 22, 2004, which includes an explanatory paragraph describing the City's implementation of Governmental Accounting Standards Board Statement Nos. 34, 37 and 38 during the year ended December 31, 2003.

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 City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 internal control over financial reporting that we have reported to the management the City in a separate letter dated July 22, 2004.

This report is intended solely for the information and use of the management of the City, federal awarding entities, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.



July 22, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE CITY'S MAJOR FEDERAL AWARD PROGRAMS

City Manager and Members of City Council of the
City of Mentor, Ohio

Compliance

We have audited the compliance of the City of Mentor, Ohio (the "City") 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 its major federal programs for the year ended December 31, 2003. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance 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; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, and grants applicable to federal programs. In planning and performing our audit, we considered the City'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.

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.

This report is intended solely for the information and use of the management of the City, federal awarding entities, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

July 22, 2004

CITY OF MENTOR, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2003

SUMMARY OF AUDITORS' RESULTS

- Type of Report Issued on the Financial Statements as of and for the Year Ended December 31, 2003 - Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A (None reported).
- Noncompliance Noted that is Material to the Financial Statements of the City - None.
- Reportable Conditions in Internal Control Over Major Federal Assistance Programs Disclosed by the Audit of the Financial Statements - N/A (None reported).
- Type of Report Issued on Compliance for Major Federal Financial Assistance Programs - Unqualified.
- The audit did not disclose any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133.
- Major Federal Financial Assistance Programs Identified for the Year Ended December 31, 2003:
 - CFDA #14.218 U.S. Department of Housing and Urban Development, CDBG Entitlement Program
 - U.S. Department of Justice, Federally Forfeited Property for State and Local Law Enforcement (no CFDA number)
 - CFDA #20.205 Federal Highway Administration, Heisley Road Grade Separation
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$300,000.
- The City is not considered to be a Low-Risk Auditee as defined under OMB Circular A-133.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED UNDER *GOVERNMENT AUDITING STANDARDS*

None

FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

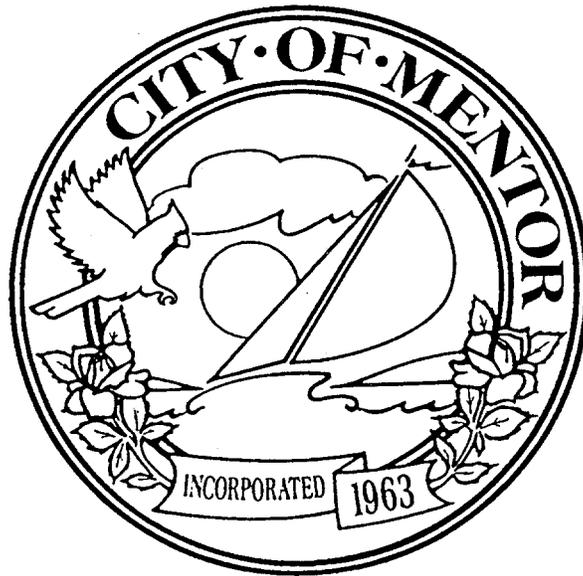
None

CITY OF MENTOR, OHIO

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE

There were no comments on internal control and legal compliance included in the prior year reports.

CITY OF
MENTOR, OHIO



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

ISSUED BY THE DEPARTMENT OF FINANCE

JOHN C. ATEN, DIRECTOR

DAVID W. MALINOWSKI, ASSISTANT DIRECTOR

CITY OF MENTOR, OHIO

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CITY OF MENTOR, OHIO

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INTRODUCTORY SECTION



City of Mentor

Council-manager
government since 1963

8500 Civic Center Boulevard
Mentor, Ohio 44060-2499
440-255-1100
www.cityofmentor.com

July 22, 2004

City Manager, Council President
and members of City Council
of the City of Mentor, Ohio

Introduction

We are pleased to present the Comprehensive Annual Financial Report of the City of Mentor (the “City”) for the year ended December 31, 2003. This report, prepared by the Department of Finance, includes the basic financial statements that summarize the various operations and cash flows related to the City’s 2003 activities. Our intention is to provide a clear, comprehensive, and materially accurate overview of the City’s financial position at the close of last year. The enclosed information has been designed to allow the reader to gain an understanding of the City’s finances, including financial trends, financial instruments, and fund performances. The City has complete responsibility for all information contained in this report.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Because the cost of internal controls should not outweigh their benefits, this comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects and presents fairly the financial position and results of operations of the various funds of the City. All necessary disclosures are included in this report to enable the reader to understand the City’s financial activities.

The City’s financial statements may be audited either by the Auditor of the State of Ohio, or with permission of the Auditor of State, by an independent certified public accountant. The audit of the City’s basic financial statements for fiscal year 2003 was the fifth under a five-year contract with Deloitte & Touche LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Deloitte & Touche LLP concluded, based upon its audit, that there was a reasonable basis for rendering an unqualified opinion that the City’s financial statements for the fiscal year ended December 31, 2003 are fairly presented, in all material respects, in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this document.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditors’ report in the financial section of this document.

Structure of this Comprehensive Annual Financial Report

This Comprehensive Annual Financial Report (“CAFR”) is designed to assist the reader in understanding the City’s finances. This CAFR consists of the following sections:

- The Introductory Section, which includes this letter of transmittal, contains information pertinent to the City’s management and organization.
- The Financial Section contains the Independent Auditors’ Report, Management’s Discussion and Analysis, Basic Financial Statements, and various other statements and schedules pertaining to the City’s funds and activities.
- The Statistical Section contains numerous tables of financial and demographic information. Much of this information is shown with comparative data for the ten-year period from 1994 through 2003.

References throughout this report to Note 1, Note 2, etc., are to the Notes to Financial Statements included in the Financial Section of this CAFR.

Profile of the Government

The City

The City is a municipal corporation and political subdivision of the State of Ohio. It is located on the southern shore of Lake Erie approximately 25 miles east of downtown Cleveland. Mentor has a population of 50,278 residents according to the 2000 census and is the largest city in Lake County.

City Government

The City operates under, and is governed by, a charter which was first adopted by the voters in 1963 and has been and may be further amended by the voters from time to time. The City is also subject to certain general State laws that are applicable to all cities in the State. In addition, under Article XVIII, Section 3 of the Ohio Constitution, the City may exercise all powers of local self-government and may exercise police powers to the extent not in conflict with applicable general State laws. The charter provides for a city manager/council form of government.

Legislative authority is vested in a seven-member Council. The terms of Council members are four years. Council members are elected from four wards and three at-large representations. The Council fixes compensation of City officials and employees and enacts ordinances and resolutions relating to City services,

tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal functions. The presiding officer is the Mayor and President of Council, elected by the Council members for a two-year term. The Clerk of Council is appointed by Council. The charter establishes certain administrative departments; the Council may establish divisions within departments or additional departments. The City's chief executive and administrative officer is the City Manager appointed by the Council.

Financial Reporting Entity

The City has applied guidelines established by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. Provisions outlined in this statement define the operational, functional and organizational units for which the City "acting as Primary Government" is required to include as part of its reporting entity. The inclusion of a component unit as part of the City's reporting entity requires the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

Under these provisions, the City's financial reporting entity acts as a single rather than multi-component unit. The provisions permit the entity to include all funds, account groups, agencies, and boards and commissions that, by definition, comprise components within the primary government itself. For the City, these components include police and fire protection services, municipal court, planning and engineering, zoning code enforcements, street maintenance, traffic control, parks and recreation, building inspection and community and economic development.

Specifically excluded because they do not meet the established criteria for inclusion in the City's reporting entity are: the Mentor Exempted Village School District and the Mentor Public Library. These entities are operated by boards or commissions separate and independent from City Council's control. The City is not obligated to finance any deficits of the aforementioned entities, nor does it guarantee their indebtedness.

Accounting and Financial Reporting

The City's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds to be used are determined by GAAP and the number of individual funds established is determined by sound financial administration. Each fund is a separate accounting entity with its own self-balancing set of accounts, assets, liabilities, and fund balance. The City's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The City also maintains Fiduciary Funds to account for assets held by the City as an agent or in a trust capacity for individuals, private organizations and other governments.

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. All governmental funds are accounted for using a current financial resources-current assets and current liabilities-measurement focus. The modified accrual basis of accounting is utilized for governmental funds. Revenues are recognized when they are susceptible to accrual (both measurable and available). Expenditures are recognized when the related liability is incurred, except for interest on long-term debt which is recorded when due.

The City's basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual (measurable and available), and encumbrances are included as expenditures rather than included in fund balances.

For the year ended December 31, 2003, the City changed its external financial reporting to comply with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments* and No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, an amendment of GASB Statement Nos. 21 and 34. Accordingly, in addition to governmental fund financial statements presented under the modified accrual basis of accounting, government-wide financial statements, which include all governmental funds, are presented on the full accrual basis of accounting. As part of the implementation of GASB Statement Nos. 34 and 37, the City has opted to fully implement retroactive infrastructure reporting. In doing so, the historical cost of infrastructure assets (retroactive to 1980) is included as part of the governmental capital assets. Thus, the depreciated cost of construction of the roadway network including streets, curbs and gutters, guard rails, traffic lights, signals, and bridges is reported in the government-wide statement of net assets. In conjunction with the implementation of GASB Statement Nos. 34 and 37, the City also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which rescinds some and modifies other financial statement disclosure requirements.

Budget Control

Budget control is maintained at the department level by appropriations adopted annually by City Council. Such appropriations are subdivided into expenditure classifications (employee compensation, other expenditures) for each department within each fund. An encumbrance system is utilized, whereby purchase orders reserve portions of applicable appropriations. By such method, overspending of an appropriation is prevented. Open encumbrances are reported as reservations of fund balances at December 31, the close of the City's fiscal year.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is shown on page 35 as part of the basic financial statements. For other governmental funds with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report along with more detailed information regarding the General Fund, which starts on page 60.

Factors Affecting Financial Condition

Local Economic Indicators

The information presented in the financial statements should be considered in the context of the economic climate within which the City operates. The City's economic condition tends to reflect the broader national economy. During 2003, its local economy remained relatively flat as reflected in the growth in municipal income tax receipts over the previous year of just 0.9% (cash basis).

Mentor's local economy benefits from its substantial role in the northeast Ohio region. It continues to attract new commercial and residential development.

Major Industries and Employment

City officials are optimistic regarding future economic growth. Manufacturing activity, which is diverse, includes medical related products, polymers and plastics, and electrical boards and other peripherals that generally service the computer and automation industries. A proliferation of small businesses in diversified industries has strengthened the City's economic base over the past decade. The City ranks 10th in Ohio in manufacturing employment according to the 1997 U.S. Census of Manufacturing and 6th in the state in sales volume according to the 1997 Census of Retail Trade.

Current Projects and 2003 Accomplishments

In terms of roadway infrastructure improvements, the City resurfaced a total of 14 miles of asphalt streets using City forces for paving and contract services for the milling, and replaced 7,000 square yards of concrete streets. Capital improvement projects included: completion of an interchange at I-90 and S.R. 615, including the widening of S.R. 615 to four lanes between I-90 and S.R. 84 (opened to traffic in the fall of 2003); starting the widening of Heisley Road to four lanes between Hendricks Road and Jackson Street including construction of railroad grade separations at the CSX and Norfolk Southern railroads; completion of the widening of Headlands Road and replacement of the bridge over Shipman Pond; and completion of the resurfacing of S.R. 44 from S.R. 2 to the northern corporation limit.

Drainage projects undertaken in 2003 included: sewer improvements to the right of way drainage along Barton Drive and Victoria Drive establishing a new stormwater outfall; and field surveying and information mapping to assemble the required base maps as part of the Mentor City Stormwater Discharge Permit application to the Ohio EPA. The City also continued its roadside ditch improvement program, enclosing 10,000 feet of hazardous ditch. In addition, as part of a program to help residents alleviate drainage problems, 4,500 feet of pipe was installed benefiting 37 properties.

The Fire Department continued to be one of forty-five departments in Ohio with a Class 2 rating as conferred by the National Insurance Service Organization. This high rating means that business and commercial concerns within the City can realize savings on insurance premiums. Construction was completed on the Fire Station 5 expansion and renovation providing enlarged crew quarters for personnel, new administrative offices, a new Emergency 911 Dispatch Center for the Fire and Police Departments, and a combination City Emergency Operations Center/Training Room.

The Community Development Department serving as staff to the Municipal Planning Commission reviewed final site development plans for ten commercial and industrial buildings and one condominium development containing 11 units.

The Public Information Office produced 161 programs representing 2,477 hours of programming for the City's government access channel. For the 12th year, the office was recognized by the National Association of Telecommunication Officers and Advisors (NATOA) for excellence in government programming. The office also received two Lake County Apex Awards from the Lake County Professional Communicators.

The Department of Parks, Recreation and Public Lands opened the City's second water spray park at Morton Park. The water spray park features water fountains, bubblers and toy water cannons. The City acquired and razed a convenience store located adjacent to the Mentor Senior Center and at the entrance to the Mentor Civic Center Campus. The demolition of the building will improve the entrance to the campus and may provide for future expansion of the Senior Center. Parks crews remodeled the kitchen area at Old Council Hall and installed new flooring at the Garfield Park Building. Over 300 trees were planted along street rights-of-way and in park areas.

For the Future

The City's five-year (2004-2008) capital improvement program contains the following proposed expenditures:

Facility construction and improvements	\$ 1,528,000
Roadway construction and improvements	23,298,500
Traffic control	2,496,000
Sidewalk and bikeway improvements	1,853,400
Storm drainage	2,198,000
Park acquisition, development & improvement	3,277,500
Major capital equipment	<u>5,742,000</u>
	<u>\$ 40,393,400</u>

Of the proposed \$40,393,400 for the five-year period, \$25,453,695 (63%) is expected to be funded by the City. The remaining \$14,939,705 (37%) is expected to be funded primarily by Federal/State/County assistance.

With a growing population and an extensive commercial and retail district, transportation issues are important to City officials. Projects anticipated in 2004 include the following: completion of the widening of Heisley Road to four lanes between Hendricks Road and Jackson Street including construction of railroad grade separations at the CSX and Norfolk Southern railroads; realignment of Hopkins Road and replacement of the county bridge south of Rosewood Lane; resurfacing S.R. 84 from S.R. 615 to the Mentor east corporation line; resurfacing US Route 20 from Hopkins Road to the Mentor east corporation line; widening and resurfacing Chillicothe Road from King Memorial Road to Fairlawn Avenue and constructing storm sewers as needed; and construction of bikelanes on Lakeshore Boulevard from Hopkins Road to Corduroy Road.

Cash Management

Cash management is a vital part of the City's financial operations. We attempt to earn as much investment income as is consistent with our primary objective of preserving principal.

We strive to invest all available dollars. The City uses a controlled disbursement approach in which only the amount needed to cover checks that are presented for payment each day is transferred from investments to the bank accounts. A money market fund is used to increase yield while maintaining adequate funds to pay bills day-to-day. The City also invests in certain bond mutual funds and in debt securities with maturities of up to five years. All investments are made in accordance with the City's investment ordinance; the Director of Finance may only invest in a debt security if, at the time the investment is made, he reasonably believes that it can be held until its maturity. Additional information regarding the City's cash management, including its investment policy and the security of City deposits can be found in Note 3 starting on page 47.

Risk Management

The City contracts the services of an insurance consultant to review coverage and make recommendations. The consultant is strictly an advisor and reviewer of all transactions pertaining to various aspects of the coverage needed in today's governmental operations. Additional information on the City's risk management, including insurance and self insurance can be found in Note 9 starting on page 54.

Awards and Acknowledgements

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mentor for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

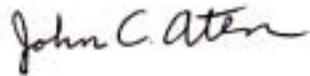
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Mentor has received a Certificate of Achievement for the last nineteen consecutive years (fiscal years 1984-2002). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

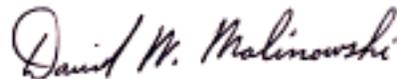
Acknowledgements

We would like to express appreciation to the many persons in the Finance Department who have assisted in preparing this report. Other factors that make this report possible are the professional help of Deloitte & Touche LLP, the cooperation of other City departments and the support and encouragement of the City Manager, the Council President, and members of Council.

Sincerely,



John C. Aten
Director of Finance



David W. Malinowski
Assistant Director of Finance

CITY OF MENTOR, OHIO

PRINCIPAL CITY OFFICIALS DECEMBER 31, 2003

Mentor City Council

Ward 1, President----- Robert M. Shiner
At-Large, Vice President----- Ronald L. Micchia
At-Large----- Robert A. Gawronski
At-Large----- Ray Kirchner
Ward 2----- Scott J. Marn
Ward 3----- Edward R. Walsh
Ward 4----- George R. Maier

Judge, Mentor Municipal Court----- John F. Trebets

Law Director----- Richard A. Hennig
Clerk of Council----- Elizabeth A. Limestahl
City Manager----- Julian M. Suso
Assistant City Manager----- Daniel R. Graybill
Director of Finance----- John C. Aten
Director of Public Works----- Matthew S. Schweikert
Director of Parks, Recreation and Public Lands----- Kurt D. Kraus
City Engineer----- John W. Konrad
Chief of Police----- Daniel Llewellyn
Fire Chief----- Richard L. Harvey
Director of Community Development----- Ronald M. Traub
Acting Personnel Director----- Daniel R. Graybill

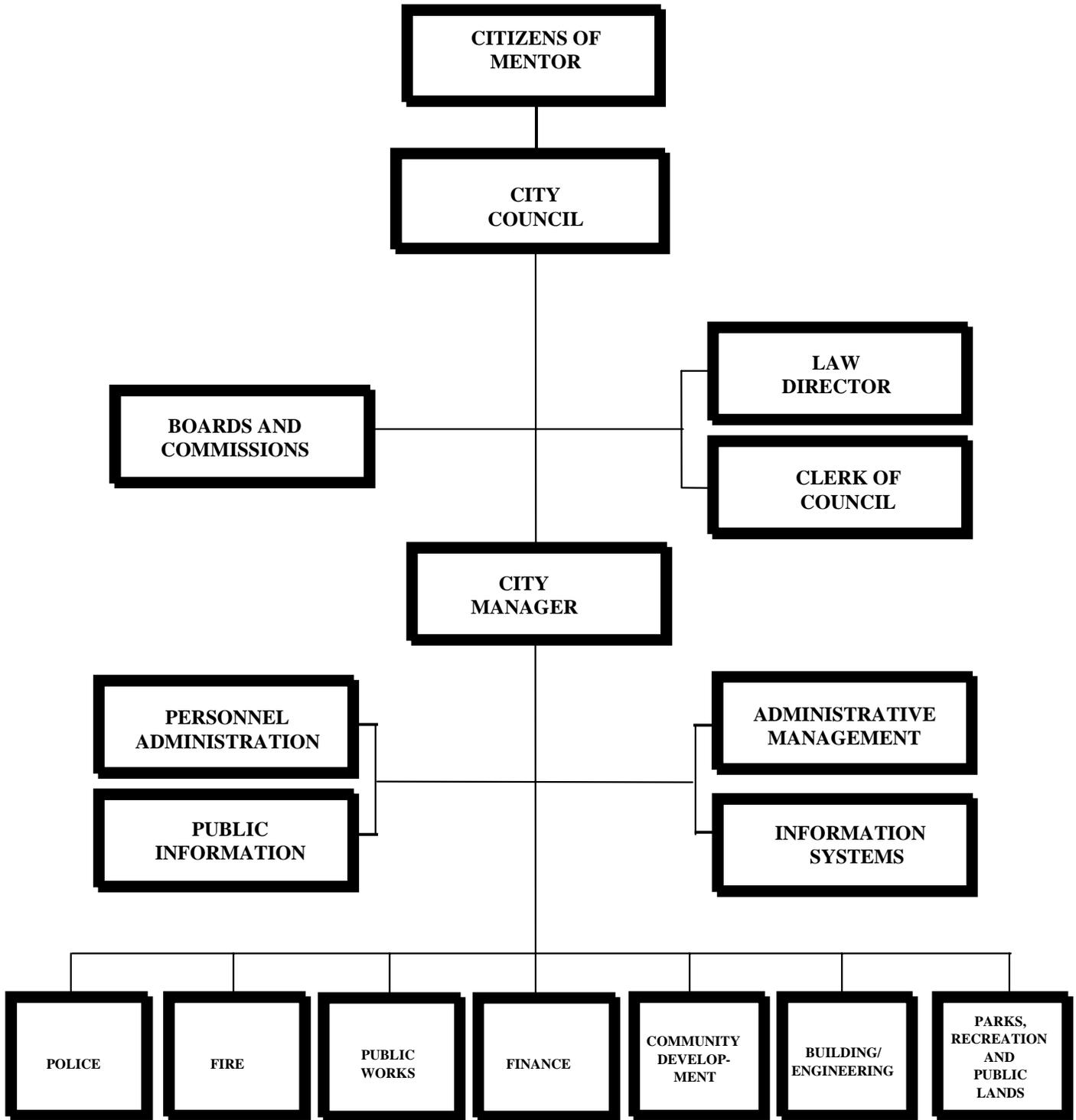
CITY OF MENTOR, OHIO

DEPARTMENT OF FINANCE STAFF DECEMBER 31, 2003

JOHN C. ATEN ----- Director of Finance
DAVID W. MALINOWSKI----- Assistant Director
DEBORAH VANONE----- Accounting Supervisor
SHEARIN FERGUSON----- Accounting Supervisor
DIANE L. PAULEY ----- Purchasing Coordinator
JUDITH A. COREY----- Accountant
LINDA HOVANCE----- Accounting Assistant
LINDA MARTINC----- Accounting Assistant
TAMMY STUBER----- Accounting Assistant
LINDA WIGHT ----- Accounting Assistant
JILL LEHNER----- Accounting Assistant
VERONICA FETSKO----- Accounting Assistant
JO-ANN FOHL----- Office Assistant
KRIS HANNAN ----- Office Assistant
MARIE SAMEC ----- Office Assistant

CITY OF MENTOR, OHIO

Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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President

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The City Manager and Members of the
City Council of the City of Mentor, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor, Ohio, (the "City") as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mentor's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mentor, Ohio, as of December 31, 2003, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the basic financial statements, effective January 1, 2003, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, an amendment of GASB Statement Nos. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's discussion and analysis on pages 14 through 29 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of City of Mentor's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's respective financial statements that collectively comprise the City's basic financial statements. The introductory section on pages 1 through 11, General Fund budgetary information on pages 60 through 61, combining and individual nonmajor fund financial statements and schedules on pages 65 through 119, and statistical tables on pages 120 through 136 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of City of Mentor's management. The General Fund budgetary information and combining and individual nonmajor fund financial statements and schedules, have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

July 22, 2004

CITY OF MENTOR, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mentor (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. Please read this information in conjunction with the City's financial statements and footnotes that begin on page 30.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2003 by approximately \$171 million (net assets). All of the net assets are accounted for as governmental activities. Of this amount, \$18.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors
- The City's net assets increased by \$5.2 million during 2003.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$15.1 million and is available for spending at the City's discretion. The unreserved fund balance equals 31.8 percent of total current year general fund expenditures.
- The City's total debt decreased by \$1.93 million (6.5 percent) during the current fiscal year. The decrease was a result of normal debt service payments with no additional new debt issued during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, 3) General Fund budget and actual statement, 4) fiduciary fund financial statements, and 5) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City principally include: general government; police; fire; streets and highways; parks, recreation and public lands; community development; and engineering and building.

The government-wide financial statements can be found on pages 30-31 of this report.

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

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

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

The City maintains 42 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Special Assessment Bond Retirement Fund, which are considered to be major funds. Data from the other 40 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 32-34 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 36 and 37 of this report.

General Fund budget and actual statement. The City adopts an annual appropriated budget for each of its funds. The General Fund budgetary comparison on page 35 of this report has been provided as a separate financial statement to demonstrate compliance with its budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year for the City in implementing Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related statements. Statement No. 34 requires a comparative analysis of government-wide data in the Management's Discussion and Analysis section. Since this is the first year of implementing the new standard, comparative data is not available. In future years, comparative data will be presented. Information regarding the government-wide net assets of the City is provided below:

	Summary of Net Assets as of <u>December 31, 2003</u>
Assets:	
Cash, investments, receivables, and other assets	\$ 49,765,856
Capital assets	<u>165,157,568</u>
Total assets	<u>214,923,424</u>
Liabilities:	
Accounts payable, accrued liabilities, deferred revenues and other liabilities	13,884,823
Long-term obligations	<u>30,093,147</u>
Total liabilities	<u>43,977,970</u>
Net assets:	
Invested in capital assets, net of related debt	137,537,568
Restricted	14,699,469
Unrestricted	<u>18,708,417</u>
Total net assets	<u>\$ 170,945,454</u>

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$171 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (80.5 percent) is its investment in capital assets (e.g., land, land improvements, buildings, equipment, and infrastructure), net of accumulated depreciation, less any related, still-outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets (8.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$18.7 million or (10.9 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

Information regarding government-wide changes in net assets is provided below:

**Changes in Net Assets
For Fiscal Year Ended December 31, 2003**

Revenues:	
Program revenues:	
Charges for services	\$ 6,559,948
Operating grants and contributions	1,088,262
Capital grants and contributions	8,284,025
General revenues:	
Municipal income taxes	26,338,127
Property taxes	4,882,423
Other local taxes	732,210
Shared revenues	6,914,549
Other grants and contributions	59,612
Unrestricted investment earnings	680,325
Other	<u>412,295</u>
Total revenues	<u>55,951,776</u>
Expenses:	
General government	7,545,494
Police	10,013,387
Fire	9,070,349
Streets and highways	12,170,074
Parks, recreation and public lands	7,187,899
Community development	1,229,646
Engineering and building	1,882,276
Interest and other charges	<u>1,710,007</u>
Total expenses	<u>50,809,132</u>
Increase in net assets	5,142,644
Net assets at beginning of year	<u>165,802,810</u>
Net assets at end of year	<u>\$ 170,945,454</u>

The increase in net assets of \$5.1 million is a result of program revenues recorded during 2003 related to federal grants for streets and highways currently under construction (primarily the Heisley Road improvement project) for which the cost will be recorded as depreciation expense in future years.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2003, the City's governmental funds reported combined ending fund balances of \$21.7 million, a decrease of \$3.1 million from the prior year. The unreserved amount of \$17.5 million is available for spending at the City's discretion. The remainder of the combined fund balances is reserved to indicate that it is not available for general spending because it has already been committed 1) to liquidate contracts and purchase orders outstanding of \$3.3 million, 2) to pay \$0.4 million of debt service, and 3) to hold inventory of \$0.5 million.

The General Fund is the chief operating fund of the City. At December 31, 2003, the unreserved fund balance of the General Fund was \$15.1 million. As a measure of the General Fund's liquidity, it is useful to compare the unreserved fund balance to total fund expenditures plus transfers out. The unreserved fund balance represents 31.8 percent of total General Fund expenditures and transfers out at December 31, 2003.

A two-year comparison of General Fund activity is shown in the following table. The revenues, expenditures and change in fund balance shown in the comparison are presented on the modified accrual basis of accounting applicable to governmental funds.

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance Information – Modified Accrual Basis
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues:		
Property taxes	\$ 1,386,305	\$ 1,363,402
Municipal income taxes	26,435,708	26,686,076
Intergovernmental	10,065,245	6,748,080
Charges for services	2,726,280	2,699,889
Fines and forfeitures	1,195,376	1,142,857
Licenses, permits, and inspections	1,099,716	1,079,367
Investment income	680,325	1,466,870
Donations and other	<u>699,689</u>	<u>186,251</u>
Total Revenues	<u>44,288,644</u>	<u>41,372,792</u>
Expenditures:		
General government	7,254,548	6,523,127
Police	8,904,309	8,414,230
Fire	6,922,959	6,484,760
Streets and highways	6,765,589	5,795,672
Parks, recreation and public lands	5,893,284	6,369,788
Community development	1,046,266	965,387
Engineering and building	1,766,664	1,920,058
Capital outlay	8,744,368	5,661,195
Debt service – principal retirement	<u>10,000</u>	<u>10,000</u>
Total Expenditures	<u>47,307,987</u>	<u>42,144,217</u>
Excess of expenditures over revenues	(3,019,343)	(771,425)
Other Financing sources (Uses):		
Operating Transfer in	-	73,809
Operating Transfer out	<u>(17,348)</u>	<u>(15,792)</u>
Excess of expenditures and other financing uses over revenues and other financing sources	(3,036,691)	(713,408)
Fund balances at beginning of year (restated in 2003 - see Note 2 to the financial statements)	21,147,653	21,677,696
Change in reserve for inventory	<u>(22,126)</u>	<u>(3,615)</u>
Fund balance at end of year	<u>\$18,088,836</u>	<u>\$20,960,673</u>

The income tax is imposed on gross salaries and wages earned in the City by non-residents of the City and on salaries, wages and other compensation of City residents earned within or outside the City. The income tax liability of a City resident employed outside the City is reduced by a credit equal to 100% of the tax paid to the municipality in which the City resident is employed. The tax on business profits is imposed on that part of profits attributable to business conducted within the City.

Income tax revenue decreased approximately \$0.25 million in 2003 versus the comparable amount in 2002 because of the relatively flat local economy. Revenue generated from the municipal income tax is recorded in the General Fund and may be used for any governmental purpose, including debt service on general obligation bonds of the City.

Intergovernmental

Intergovernmental revenues are composed of federal and state grants and other shared revenues including taxes levied and collected by the State of Ohio and Lake County and partially redistributed to the City and other political subdivisions. Shared revenues include state income, sales, corporate franchise, estate, and cigarette taxes as well as liquor fees. Intergovernmental revenues increased by approximately 49.2% in 2003 due to increased federal and state grants for major road projects – particularly the Heisley Road improvement project.

The State Local Government Fund (“LGF”) and Local Government Revenue Assistance Fund (“LGRAF”) are a significant source of non-tax General Fund revenue. Through these funds, Ohio subdivisions share in a portion of the State’s collection of the sales tax, use tax, personal income tax, corporate franchise tax and public utilities excise tax. The percentages of the five taxes supporting these funds have varied over the years. At times, the dollar amounts in the funds have been capped at specified levels.

Pursuant to the Ohio Revised Code, State LGF revenues are divided into county and municipal portions. The county portion, the larger of the two, is distributed to each of the State’s 88 counties and is allocated based upon a statutory formula utilizing county population and county municipal property values. Once received by a county, the funds can either be distributed to all subdivisions using the statutory formula or the county and its subdivisions may agree upon an alternate method for allocating the funds. Lake County and its recipient communities have chosen the latter method which is comprised of a base allocation and an excess allocation. The excess allocation takes into account such factors as assessed value per capita, per capita income, population density and the number of individuals receiving public assistance. The municipal portion of the LGF is distributed directly by the State to those municipalities that collect an income tax. A municipality receives its share of the funds based upon its percentage of total municipal income taxes collected throughout the state in a given year. In 2003, the City had LGF revenue of \$3.3 million.

The LGRAF, which was created in 1989, is distributed to all counties based upon population. Either the statutory allocation method or an agreed upon alternative allocation is used to apportion the funds. Lake County allocates LGRAF funds using the same method as is used to distribute LGF monies. In 2003, the City had LGRAF revenue of \$0.3 million. LGRAF funding has fluctuated over the course of the last few years. Distributions from the State of Ohio and Lake County (as a conduit between the State and City) have decreased since 2001.

Investment Income

Investment income of \$680,325 in 2003 was significantly less than the \$1,466,870 in 2002. A minor cause for the decrease was that the City had an average of about \$24 million invested during 2003 versus about \$26 million in 2002. The more important causes were that interest rates in 2003 were lower and that in 2002 there was an unrealized portfolio gain whereas in 2003 there was an unrealized loss. Specifically, the money market yields available in 2002 averaged about 1.8% versus about 1.1% in 2003. Additionally, in 2002, investment income included \$312,000 of unrealized gains on an intermediate-term corporate bond fund and a GNMA fund as interest rates fell. These two funds generated a net unrealized loss in 2003 of \$105,000 entirely due to the GNMA fund performance after interest rates started moving up in July 2003.

Donations and other

Donations and other revenues increased by \$513,438 from 2002 because of proceeds received from the sale of the vacated City owned service garage.

Analysis of General Fund Expenditures

General Fund expenditures and other uses totaled \$47.3 million in 2003, an increase of 12.3% from 2002. The amount of expenditures and other uses by function on a modified accrual basis for the year ended December 31, 2003, including the increases (decreases) over the prior year, are shown in the following table:

<u>Expenditures and Other Uses</u>	<u>Actual 2003</u>	<u>% of Total</u>	<u>Actual 2002</u>	<u>% of Total</u>	<u>Increase (Decrease) Over 2002</u>	<u>% Change</u>
(\$ Amounts in 000's)						
Current:						
General Government	\$ 7,255	15.33	\$ 6,523	15.47	\$ 732	11.22
Police	8,904	18.81	8,414	19.96	490	5.82
Fire	6,923	14.63	6,485	15.38	438	6.75
Streets and highways	6,766	14.30	5,796	13.75	970	16.74
Parks, recreation and public land	5,893	12.45	6,370	15.11	(477)	(7.49)
Community development	1,046	2.21	965	2.29	81	8.39
Engineering and building	1,767	3.73	1,920	4.55	(153)	(7.97)
Capital outlay	8,744	18.48	5,661	13.43	3,083	54.46
Debt service - principal retirement	10	0.02	10	0.02	0	0.00
Operating Transfers Out	<u>17</u>	<u>0.04</u>	<u>16</u>	<u>0.04</u>	<u>1</u>	6.25
Total expenditures and other financing uses	<u>\$ 47,325</u>	<u>100.00 %</u>	<u>\$ 42,160</u>	<u>100.00 %</u>	<u>\$ 5,165</u>	12.25 %

Legal expenditures were substantially higher during 2003 causing an increase in General Government expenditures. The City incurred \$705,000 of expense litigating with two railroads in connection with a planned street that will cross over their tracks. Police expenditures were higher because of higher salary and benefits associated with fuller staffing levels throughout the year and the impact of general wage increases. Fire expenditures increased primarily because of \$140,000 of higher full-time salaries and \$228,000 of additional overtime costs. The streets and highways increase of \$970,000 was a result of \$400,000 of additional expense related to the newly constructed I90/SR615 interchange; \$258,000 for road salt; \$180,000 for higher salaries and associated benefits; and \$132,000 of additional costs for subsidizing trash collection and curbside recycling. The decrease in parks, recreation and public land expenditures was attributed to reduced maintenance costs at the ice arena and boat marina. Capital outlay expenditures increased primarily as a result of \$2.3 million of additional road construction costs (primarily the Heisley Road project) and \$0.8 million of additional costs for the fire station headquarters expansion.

Major Functional Expense Categories. A discussion of the City's major functional expense categories follows:

Employee Compensation and Labor Relations

As of December 31, 2003 and 2002, the City had approximately 378 and 374 full-time employees, respectively. As of December 31, 2003, approximately 238 full-time employees are represented in 5 collective bargaining units. The labor unions, together with the approximate number of employees represented by each, are the Municipal, County and State Employees' Union 1099- 74, the Ohio Patrolmen's Benevolent Assn. representing three units – 95, and the International Assn. of Firefighters Local 1845 – 69.

There have been no work stoppages in the City within the last 20 years. The current three-year agreements with the labor unions, which represent the full-time employees, all expire in April 2005. The agreement covering the part-time firefighters expires in April 2006. The current agreements have wage increases of generally 3.25% - 3.75% per year.

The Council, by ordinance, establishes schedules of salaries, wages and other economic benefits for the City's non-union employees. Generally, the terms of these ordinances have mirrored the wage increases and benefits in the union agreements.

Chapter 4117 of the Ohio Revised Code (the "Collective Bargaining Law"), establishes procedures for, and regulates public employer-employee collective bargaining and labor relations for the City and other state and local governmental units in Ohio. The Collective Bargaining Law creates a three-member State Employment Relations Board, which administers and enforces the Collective Bargaining Law. Among other things, the Collective Bargaining Law: (i) creates rights and obligations of public employers, public employees and public employee organizations with respect to labor relations; (ii) defines the employees it covers; (iii) establishes methods for (a) the recognition of employees and organizations as exclusive representatives for collective bargaining and (b) the determination of bargaining units; (iv) establishes matters for which collective bargaining is either required, prohibited, or optional; (v) establishes procedures for bargaining and the resolution of disputes, including negotiation, mediation and fact finding; and (vi) permits all covered employees to strike, except certain enumerated classes of employees, such as police and fire personnel.

Over the past two years, the total salaries and wages paid to the City's employees from all funds were as follows:

Year	Amount Paid
2003	\$22,036,053
2002	\$20,777,308

The increase in salaries and wages in 2003 is primarily due to general wage increases, step increases as employees advance with experience in their classifications, and higher staffing levels in the Police and Fire functions.

Employee Retirement Benefits

City employees (except for certain part-time firefighters who are covered by social security) are members of one of two retirement systems. These retirement systems provide both pension and post-retirement health care benefits to participants, were created pursuant to Ohio statutes and are administered by state created boards of trustees. The boards are comprised of a combination of elected members from the respective retirement systems' memberships and ex-officio members from certain state government offices.

These two retirement systems are:

- Ohio Public Employees Retirement System (OPERS), created in 1935, represents state and local government employees not included in one of the other four state-mandated systems. Management of the fund indicates membership of approximately 364,881 actively employed members. At December 31, 2002, assets of this pension fund approximated \$50.1 billion. More data on this pension fund are shown in Notes 13 and 14 to the financial statements.
- Ohio Police and Fire Pension Fund (OP&F), created in 1966, represents sworn personnel, not civilians, employed in police and fire divisions of Ohio's local governments. Management of the fund indicates membership of approximately 28,328 actively employed members. At December 31, 2002, assets of this pension fund approximated \$7.4 billion. All of the City's full-time police and fire officers are members of this pension fund. More data on this pension fund are shown in Notes 13 and 14 to the financial statements.

Over the past two years, the City and its employees have paid the following amounts to OPERS and OP&F.

	<u>2003</u>	<u>2002</u>
	(in thousands)	
Paid by City to:		
OPERS	\$1,784	\$1,676
OP&F	<u>2,038</u>	<u>1,909</u>
Total paid by City	<u>3,822</u>	<u>3,585</u>
Paid by employees to:		
OPERS	1,128	1,083
OP&F	<u>959</u>	<u>892</u>
Total paid by employees	<u>2,087</u>	<u>1,975</u>
Total	<u>\$ 5,909</u>	<u>\$ 5,560</u>

The increase in amounts paid to OPERS and OP&F during 2003 is primarily due to wage increases during 2003.

The City is current in all of its required contributions to the respective pension funds.

GENERAL FUND BUDGETARY ANALYSIS

The difference between the original and the final amended budget for the City's General Fund expenditures, including operating transfers out and advances out, (see page 35) was a decrease of \$3.7 million, a 6 percent decrease in appropriations. These were the most significant changes:

- The City reduced the appropriations for streets and highways by \$6.4 million due to slower than anticipated spending during the year on the Heisley Road improvement project.
- The streets and highways budget and the parks, recreation and public lands budget were increased by \$1.4 million and \$0.2 million, respectively, for additional land purchases completed during 2003.
- The general government budget was increased by a net \$0.4 million. There was an increase of \$0.8 million for additional litigation costs, primarily related to the expense of litigating with two railroads over a planned street that will cross over their tracks. This was partially offset by a \$0.4 million decrease in the \$0.9 million that had been appropriated for unspecified contingencies.
- The police and fire budgets were each increased by \$0.1 million due to additional equipment purchases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets as of December 31, 2003 equaled \$165.2 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets in 2003 was 4.1 percent. A summary of the City's capital assets at December 31, 2003 is as follows:

	Capital Assets, Net of Accumulated Depreciation
Land	\$ 52,353,556
Land improvements	2,168,939
Buildings and improvements	28,735,882
Equipment	7,321,001
Infrastructure	68,707,166
Construction in progress	<u>5,871,024</u>
Total	<u>\$165,157,568</u>

The following were the major events during the current fiscal year that affected the City's capital assets:

- Roadway construction and improvements (including land acquisition) related to the widening of Heisley Road and providing for railroad grade separations - \$5.7 million.
- Construction costs for the newly expanded fire station headquarters - \$1.7 million.
- Completion of two new sub-divisions, which increased the amount of infrastructure assets - \$1.9 million.

The primary sources for financing the City's capital improvement projects are federal, state (Issue 2), and Lake County funding sources; general obligation bond proceeds; and general fund revenues. Additional information on the City's capital assets, including commitments made for future capital expenditures, can be found in Note 6 to the financial statements starting on page 51.

Long-term debt and other obligations. As of December 31, 2003, the City had total bond and notes outstanding of \$27.6 million. These are backed by the full faith and credit of the City.

The activity affecting the City's debt obligations outstanding during the year ended December 31, 2003 is summarized below.

	Balance January 1, 2003	Debt Issued	Debt Retired	Balance December 31, 2003
	(in thousands)			
General Obligation Bonds	\$ 19,335	\$ -	\$ (1,174)	\$ 18,161
Special Assessment Bonds	10,185	-	(746)	9,439
General Obligation Notes Payable	<u>30</u>	<u>-</u>	<u>(10)</u>	<u>20</u>
Total Governmental Activities	<u>\$ 29,550</u>	<u>\$ -</u>	<u>\$ (1,930)</u>	<u>\$ 27,620</u>

The funds used to meet the debt service requirements of the City's general obligation bonds are from certain ad valorem taxes and other revenue sources. Ad valorem taxes, the primary source of funds, amounted to \$1.634 million in 2003 which represented 72% of the debt service requirements on the general obligation bonds. Admission tax and hotel/motel tax revenues were used to pay the remaining 28% of debt service requirements.

The City issues its general obligation bonds within the context of its Capital Improvement Program. Programs which have benefited due to the issuance of general obligation debt include construction of and additions to City buildings (including a maintenance facility, an ice arena, a senior center, a fire station, and a City hall addition), and acquisition of a marina and park land.

The City also issues special assessment bonds for various roadway improvements. The debt service on the special assessment bonds is paid from the revenue collected through the special assessment levies.

The City presently has an Aa3 bond rating from Moody's Investors Service that was assigned initially in August 1997 and was reaffirmed in June 2002; previously the City had an A1 rating from Moody's.

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position. Net general bonded debt is total general bonded debt supported by taxes less amounts available in the Debt Service Funds. This data at December 31, 2003 was:

Net General Bonded Debt \$17,987,037

Ratio of Net Bonded Debt to Assessed Valuation 1.29%

Net General Bonded Debt Per Capita \$357.75

The Ohio Revised Code provides that the net debt of the municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the assessed value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total assessed value of property. The City's total debt limit (10.5 percent) is \$146,531,716 and unvoted debt limit (5.5 percent) is \$76,754,708. These debt limitations are not expected to affect the financing of any currently planned facilities or services.

Additional information on the City's long-term debt can be found in Note 7 to the financial statements on pages 52 - 54.

FACTORS EXPECTED TO IMPACT THE CITY'S FUTURE FINANCIAL POSITION OR RESULTS OF OPERATIONS

We believe that the level and trend of our municipal income tax receipts (cash basis) is the best indicator of economic activity in the City. Further, along with the level of spending, it is one of the two most important determinants of our financial condition.

From 1989 through 2001 income tax receipts (on a cash basis) increased every year. The smallest annual increases were 3.0% in 1991 and 3.1% in 2001 when the national economy was affected by recessions. Over the ten-year period from 1992 through 2001, the annual increases averaged 7.4%.

Around the middle of 2001 income tax collections began to run negative compared to year earlier collections. This pattern continued throughout 2002 with the collections for that year off 2.2% from 2001. Collections were slightly better in 2003, up 0.9% over 2002. In the current year, collections in the first quarter of 2004 were down each month and by 6.4% for the quarter compared to 2003. Collections in the second quarter were up each month and by 6.9% for the quarter compared to 2003. For the first half of 2004, income tax collections are 0.2% more than the year ago.

We are hopeful that the trend we see means that we will be realizing positive year to year results going forward. Our region did not seem to participate fully in the national economic recovery last year. The recent improvement in our collections mirrors the abrupt change in the national monthly jobs created statistics that occurred within the last few months. This causes us to believe cautiously that our local economy now will resume a good rate of growth for the foreseeable future.

The City's December 31, 2004 General Fund unencumbered balance is budgeted at \$4.5 million, which is 11% of budgeted revenues of \$40.4 million (excluding \$9.3 million of intergovernmental pass-through revenues).

The 2004 income tax receipts (cash basis) are budgeted at \$27.8 million, which is 3.8% more than was received in 2003. As mentioned above, actual collections for the first half of 2004 are up only 0.2%. Every one percentage point deviation for all of 2004 from the 3.8% budgeted increase will have a \$267,000 impact on the December 31, 2004 unencumbered balance.

Typically the City spends significantly less than the budgeted General Fund expenditures. Excluding variances caused by pass-through spending paid for by intergovernmental revenue, the appropriated amounts were underspent by \$4.7 million in 2001, \$6.2 million in 2002, and \$4.2 million in 2003. We expect this pattern will continue in 2004 with underspending of the budgeted expenditures and a consequently higher December 31, 2004 unencumbered balance than the \$4.5 million budgeted. However, the amount of underspending in 2004 probably will be less than in previous years, because the 2004 budget is tighter.

The City pays its employees bi-weekly, which means that in most years the budget and expenses are for 26 payrolls. In 2004, there are 27 payrolls, so the budget includes \$1.1 million of expense more than normal and which will not need to be budgeted in 2005 and thereafter for many years.

Late in 2004, the City will complete the railroad overpass on Heisley Road and will be entitled to payments from two railroads of \$1.6 million. We did not budget the receipt of this in 2004 because we were not confident that it would be received within the year. Consequently, our 2005 budget will benefit by this one-time \$1.6 million.

The Mentor Exempted Village School District, which is not part of the City's reporting entity, is currently having financial difficulties, as are many Ohio school districts. In February 2004, the Auditor of the State of Ohio announced that the Mentor school district's financial condition had deteriorated to such a level that a fiscal emergency was declared and an independent commission was appointed under Ohio law to develop and implement a fiscal recovery plan and monitor the District's finances. As part of the plan a 7.9 mill 5-year operating levy has been placed on the ballot for the August 3, 2004 election. The ultimate impact of this matter on the City's long-term financial condition cannot be determined.

NEED ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, City of Mentor, 8500 Civic Center Boulevard, Mentor, Ohio 44060.

BASIC
FINANCIAL STATEMENTS

CITY OF MENTOR, OHIO

STATEMENT OF NET ASSETS DECEMBER 31, 2003

ASSETS

Cash and investments	\$ 19,814,640
Receivables, net of allowance for doubtful accounts	25,263,099
Due from other governments	4,033,528
Inventory	481,503
Prepaid expenses	35,086
Land held for resale	138,000
Nondepreciable capital assets	58,224,580
Depreciable capital assets, net of accumulated depreciation	<u>106,932,988</u>
Total assets	<u>214,923,424</u>

LIABILITIES

Accounts payable and accrued liabilities	4,651,834
Deposits	441,194
Deferred revenues	8,791,795
Long-term obligations:	
Due within one year	3,159,118
Due in more than one year	<u>26,934,029</u>
Total liabilities	<u>43,977,970</u>

NET ASSETS

Invested in capital assets, net of related debt	137,537,568
Restricted for:	
Debt service	9,869,233
Capital projects	526,096
Streets and public safety	4,304,140
Unrestricted	<u>18,708,417</u>
Total net assets	<u>\$ 170,945,454</u>

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

CITY OF MENTOR, OHIO

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs:</u>					
Governmental Activities:					
General government	\$ 7,545,494	\$ 1,887,632	\$ 49,124	\$ -	\$ (5,608,738)
Police	10,013,387	89,162	100,731	55,420	(9,768,074)
Fire	9,070,349	43,782	88,218	100,000	(8,838,349)
Streets and highways	12,170,074	1,143,244	341,133	5,430,713	(5,254,984)
Parks, recreation and public lands	7,187,899	2,686,242	71,606	1,974,932	(2,455,119)
Community development	1,229,646	49,142	162,339	180,374	(837,791)
Engineering and building	1,882,276	660,744	275,111	-	(946,421)
Interest and other charges	<u>1,710,007</u>	<u>-</u>	<u>-</u>	<u>542,586</u>	<u>(1,167,421)</u>
Total governmental activities	<u>\$ 50,809,132</u>	<u>\$ 6,559,948</u>	<u>\$ 1,088,262</u>	<u>\$ 8,284,025</u>	<u>(34,876,897)</u>
General revenues:					
Municipal income taxes					26,338,127
Property taxes levied for:					
General purpose					1,306,313
Special revenue					1,941,861
Debt service					1,634,249
Other local taxes					732,210
Shared revenues					6,914,549
Grants and contributions					59,612
Unrestricted investment earnings					680,325
Other					<u>412,295</u>
Total general revenues					<u>40,019,541</u>
Change in net assets					5,142,644
Net assets at beginning of year					<u>165,802,810</u>
Net assets at end of year					<u>\$ 170,945,454</u>

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

CITY OF MENTOR, OHIO

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	<u>General</u>	<u>Special Assessment Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 15,653,671	\$ 219,219	\$ 3,941,750	\$ 19,814,640
Receivables, net of allowance for doubtful accounts	8,062,670	13,124,275	4,076,154	25,263,099
Due from other funds	452,389	-	838	453,227
Due from other governments	2,686,882	-	1,346,646	4,033,528
Inventory	481,503	-	-	481,503
Land held for resale	-	138,000	-	138,000
TOTAL ASSETS	<u>\$ 27,337,115</u>	<u>\$ 13,481,494</u>	<u>\$ 9,365,388</u>	<u>\$ 50,183,997</u>
LIABILITIES				
Accounts payable	\$ 910,362	\$ -	\$ 462,248	\$ 1,372,610
Accrued payroll and employee benefits	2,678,974	-	-	2,678,974
Other accrued liabilities	442,168	12,072	16,800	471,040
Deposits	441,194	-	-	441,194
Due to other funds	-	1,714	451,513	453,227
Deferred revenue	4,775,581	13,248,489	5,063,396	23,087,466
Total liabilities	<u>9,248,279</u>	<u>13,262,275</u>	<u>5,993,957</u>	<u>28,504,511</u>
FUND BALANCES				
Reserved for:				
Inventory	481,503	-	-	481,503
Debt service	-	219,219	173,787	393,006
Encumbrances	2,550,078	-	736,432	3,286,510
Unreserved, reported in:				
General fund	15,057,255	-	-	15,057,255
Special revenue funds	-	-	2,830,931	2,830,931
Capital project funds	-	-	(369,719)	(369,719)
Total fund balances	<u>18,088,836</u>	<u>219,219</u>	<u>3,371,431</u>	<u>21,679,486</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 27,337,115</u>	<u>\$ 13,481,494</u>	<u>\$ 9,365,388</u>	

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.	165,157,568
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	14,201,547
Long-term liabilities, including bonds and claims payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(30,093,147)</u>

Net assets of governmental activities \$ 170,945,454

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

CITY OF MENTOR, OHIO

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Assessment Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property taxes	\$ 1,386,305	\$ -	\$ 3,576,111	\$ 4,962,416
Municipal income taxes	26,435,708	-	-	26,435,708
Other local taxes	-	-	732,210	732,210
Intergovernmental	10,065,245	-	2,977,323	13,042,568
Charges for services	2,726,280	-	108,963	2,835,243
Fines and forfeitures	1,195,376	-	261,859	1,457,235
Licenses, permits, and inspections	1,099,716	-	10,545	1,110,261
Special assessments	-	1,283,958	1,053,401	2,337,359
Investment income	680,325	-	77,871	758,196
Donations and other	699,689	-	63,635	763,324
Total revenues	<u>44,288,644</u>	<u>1,283,958</u>	<u>8,861,918</u>	<u>54,434,520</u>
EXPENDITURES:				
Current:				
General government	7,254,548	-	132,669	7,387,217
Police	8,904,309	-	594,943	9,499,252
Fire	6,922,959	-	1,661,806	8,584,765
Streets and highways	6,765,589	-	2,435,426	9,201,015
Parks, recreations and public lands	5,893,284	-	122,793	6,016,077
Community development	1,046,266	-	170,986	1,217,252
Engineering and building	1,766,664	-	40,395	1,807,059
Capital outlay	8,744,368	-	1,457,358	10,201,726
Debt service:				
Principal retirement	10,000	745,809	1,174,191	1,930,000
Interest and other expenditures	-	635,123	1,084,413	1,719,536
Total expenditures	<u>47,307,987</u>	<u>1,380,932</u>	<u>8,874,980</u>	<u>57,563,899</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(3,019,343)</u>	<u>(96,974)</u>	<u>(13,062)</u>	<u>(3,129,379)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	500,181	500,181
Operating transfers out	(17,348)	-	(482,833)	(500,181)
Total other financing sources (uses)	<u>(17,348)</u>	<u>-</u>	<u>17,348</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(3,036,691)	(96,974)	4,286	(3,129,379)
FUND BALANCES AT BEGINNING OF YEAR				
(As Restated - see Note 2)	21,147,653	316,193	3,367,145	24,830,991
CHANGE IN RESERVE FOR INVENTORY	<u>(22,126)</u>	<u>-</u>	<u>-</u>	<u>(22,126)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 18,088,836</u>	<u>\$ 219,219</u>	<u>\$ 3,371,431</u>	<u>\$ 21,679,486</u>

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

CITY OF MENTOR, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2003

Amount reported for governmental activities in the statement of activities (page 31) are different because:

Net change in fund balances - total governmental funds (page 33)	\$ (3,129,379)
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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,425,784
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,562,432
The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due.	1,939,529
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.	<u>(655,722)</u>
Changes in net assets of governmental activities (page 31)	<u>\$ 5,142,644</u>

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

CITY OF MENTOR, OHIO

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

(NON-GAAP BUDGETARY BASIS)

YEAR ENDED DECEMBER 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:				
Property taxes	\$ 1,388,200	\$ 1,388,200	\$ 1,386,305	\$ (1,895)
Municipal income tax	27,080,000	27,080,000	26,725,365	(354,635)
Intergovernmental	16,621,839	10,211,678	9,751,887	(459,791)
Charges for services	2,630,100	2,630,100	2,726,280	96,180
Fines and forfeitures	1,091,000	1,091,000	1,186,881	95,881
Licenses, permits, and inspections	1,096,700	1,096,700	1,099,716	3,016
Investment income	1,115,000	1,115,000	1,068,691	(46,309)
Other	59,300	59,300	699,689	640,389
Total revenues	<u>51,082,139</u>	<u>44,671,978</u>	<u>44,644,814</u>	<u>(27,164)</u>
EXPENDITURES:				
Function:				
General government	8,166,901	8,572,483	6,823,096	1,749,387
Police	9,849,244	9,918,219	9,317,000	601,219
Fire	9,611,941	9,723,775	8,903,393	820,382
Street and highways	22,155,110	17,182,469	14,072,150	3,110,319
Parks, recreation and public lands	8,140,623	8,317,298	6,944,847	1,372,451
Community development	1,127,720	1,127,720	1,048,252	79,468
Engineering and building	3,309,406	3,309,406	2,679,814	629,592
Total expenditures	<u>62,360,945</u>	<u>58,151,370</u>	<u>49,788,552</u>	<u>8,362,818</u>
Excess of expenditures over revenues	<u>(11,278,806)</u>	<u>(13,479,392)</u>	<u>(5,143,738)</u>	<u>8,335,654</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	-	(17,348)	(17,348)	-
Advances in	1,341,000	1,341,000	1,059,473	(281,527)
Advances out	-	(451,513)	(451,513)	-
Total other financing sources (uses)	<u>1,341,000</u>	<u>872,139</u>	<u>590,612</u>	<u>(281,527)</u>
Excess of expenditures and other uses over revenues and other sources	<u>(9,937,806)</u>	<u>(12,607,253)</u>	<u>(4,553,126)</u>	<u>8,054,127</u>
Adjustment for prior year encumbrances	3,502,828	3,502,828	3,502,828	-
FUND BALANCES, BEGINNING OF YEAR	<u>10,606,057</u>	<u>10,606,057</u>	<u>10,606,057</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,171,079</u>	<u>\$ 1,501,632</u>	<u>\$ 9,555,759</u>	<u>\$ 8,054,127</u>

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

CITY OF MENTOR, OHIO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS DECEMBER 31, 2003

	Cemetery Bequest and Endowment Private-Purpose Trust Fund	Municipal Court Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 25,890	\$ 62,331
LIABILITIES		
Accounts payable	\$ 418	\$ -
Accrued Liabilities	-	2,157
Deposits	<u>-</u>	<u>60,174</u>
Total liabilities	<u>418</u>	<u>\$ 62,331</u>
NET ASSETS		
Held in trust for decoration of specific graves	<u>\$ 25,472</u>	

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

CITY OF MENTOR, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Cemetery Bequest and Endowment Private-Purpose Trust Fund</u>
ADDITIONS	
Investment income	\$ 1,111
Donations and other	<u>154</u>
Total additions	<u>1,265</u>
DEDUCTIONS	
Administrative expenses	<u>1,407</u>
Total deductions	<u>1,407</u>
Change in net assets	(142)
Net assets - beginning of year	<u>25,614</u>
Net assets - end of year	<u><u>\$ 25,472</u></u>

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

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 1 – DESCRIPTION OF CITY OPERATIONS AND REPORTING ENTITY

The City: The City of Mentor, Ohio (the “City”) was organized under the present system of government effective January 1, 1963 and was incorporated as a home rule municipal corporation under the laws of the State of Ohio. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, parks and recreation, public improvements, community development (planning and zoning), and general administrative services.

Reporting Entity: The accompanying financial statements as of December 31, 2003 and for the year then ended have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to local governments. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”).

In evaluating how to define the governmental reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions, and component units for which the City (“primary government”) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

On this basis, the City’s financial reporting entity has no component units but includes the Mentor Municipal Court (the “Court”) as part of the City’s primary government in the determination of the City’s reporting entity. The Court’s operations are not legally separate from the City. In addition, the City is responsible for budgeting and appropriating funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City’s share of the fines collected by the Court, along with its share of the Court’s administrative and operating costs, are recorded in the City’s General Fund. Moneys held by the Court in a fiduciary capacity are included in the agency fund in the accompanying basic financial statements, as further discussed in Note 5. No other organizations are included as part of the City’s reporting entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Model: The accounting policies and financial reporting practices of the City comply with GAAP applicable to governmental units. Effective January 1, 2003, the City changed its financial reporting by implementing the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These “Reporting Model” statements affect the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports. As part of the implementation of GASB Statement Nos. 34 and 37, the City has also opted to fully implement retroactive infrastructure reporting as prescribed by GASB Statement No. 34. Accordingly, the depreciated value of the historical cost of infrastructure assets (retroactive to January 1, 1980) is included as part of the governmental activities’ capital assets reported in the City’s government-wide statement of net assets. The implementation of these GASB statements resulted in a change in beginning fund balances as presented in the fund financial statements, which are reported using the modified accrual basis of accounting.

Restatement of Fund Balances: The implementation of these statements had the following effects on fund balances of the major and non-major funds of the City as they were previously reported.

	General Fund	Special Assessment Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances, December 31, 2002	\$ 20,960,673	\$ 316,193	\$ 3,275,100	\$ 24,551,966
Change in expendable trust fund classification	-	-	92,045	92,045
Other	<u>186,980</u>	<u>-</u>	<u>-</u>	<u>186,980</u>
Restated Fund Balances, December 31, 2002	<u>\$ 21,147,653</u>	<u>\$ 316,193</u>	<u>\$ 3,367,145</u>	24,830,991
GASB 34 Adjustments:				
Capital Assets				158,714,439
Long-Term Liabilities				(32,066,493)
Accrued Interest Payable				(138,738)
Deferred Revenues				<u>14,462,611</u>
Net Assets, December 31, 2002				<u>\$ 165,802,810</u>

Significant Accounting Policies:

The following is a summary of the more significant policies followed during the preparation of the accompanying financial statements.

A. Government-wide and fund financial statements

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. Financial information of the City is presented in the following format:

Basic Financial Statements:

1. *Government-wide financial statements* consist of a statement of net assets and a statement of activities. These statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the City. Governmental activities are normally supported by taxes and intergovernmental revenues. Fiduciary funds of the City are not included in these government-wide financial statements.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Interfund receivables and payables have been eliminated in the government-wide statement of net assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental activities total column.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental funds. Separate statements are presented for the governmental and fiduciary funds.

The City's major governmental funds are the General Fund and Special Assessment Bond Retirement Fund.

The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in other funds. Its revenues consist primarily of income and property taxes, investment earnings, shared revenues, charges for services, and fines and forfeitures.

General Fund expenditures represent costs of general government; police; fire; streets and highways; parks, recreation and public lands; community development; and engineering and building. General Fund resources are also transferred annually to support other services which are accounted for in other separate funds.

The Special Assessment Bond Retirement Fund is used to account for the accumulation of resources for the payment of special assessment long-term debt principal, interest, and related costs.

Also maintained by the City are fiduciary funds, such as private-purpose trust funds and agency funds, used to account for either legal trust arrangements which benefit individuals, private organizations, or other governments or assets held by the City as an agent for individuals, private organizations or other governments.

3. *The City's General Fund budget to actual statement* is presented as part of the basic financial statements.
4. *Notes* to the financial statements provide information that is essential to a user's understanding of the basic financial statements.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

B. *Financial reporting presentation*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (equity), revenues, and expenditures (expenses). The fund types and classifications that exist under GAAP are as follows:

GOVERNMENTAL FUNDS

1. **General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.
2. **Special Revenue Funds** - Special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by legal, regulatory or administrative provisions. These funds include most federal and state grants.
3. **Debt Service Funds** - Debt service funds are used to account for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal, interest, and related costs.
4. **Capital Projects Funds** - The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital projects.
5. **Permanent Funds** - Permanent funds are used for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting government's programs. During 2003, the City did not utilize any permanent funds.

PROPRIETARY FUNDS

1. **Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. During 2003, the City did not utilize any enterprise funds.
2. **Internal Service Funds** - The internal service funds are used to account for the financing of goods or services provided by one department to other departments or to other governments on a cost-reimbursement basis. During 2003, the City did not utilize any internal service funds.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

FIDUCIARY FUNDS

1. **Private-purpose Trust Funds** - Private-purpose trust funds are used to account for trust arrangements which benefit individuals, private organizations, or other governments. For accounting measurement purposes, the private-purpose trust funds are accounted for in essentially the same manner as proprietary funds.
2. **Agency Funds** - Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. For accounting measurement purposes, the agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.
3. **Other Fiduciary Funds** - Other fiduciary funds include pension trust funds and investment trust funds. During 2003, the City did not utilize any such trust funds.

Fiduciary Funds are not included in the government-wide statements.

C. *Measurement focus and basis of accounting*

Except for budgetary purposes, the basis of accounting used by the City conforms to GAAP as applicable to governmental units. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, property taxes, grants, shared revenue, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxpayer's liability occurs and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. On an accrual basis, revenue in the form of shared revenue is recognized when the provider government recognizes its liability to the City. Revenue from grants 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 year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a cost reimbursement basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City generally

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

In applying the susceptible-to-accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days after year-end and available to pay obligations of the current period): income taxes, investment earnings, and shared revenues. Reimbursements due for federal or state funded projects are accrued as revenue at the time the expenditures are made or, when received in advance, deferred until expenditures are made. Property taxes and special assessments, though measurable, are not available to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available. Other revenues, including licenses, fees, fines and forfeitures and charges for services are recorded as revenue when received in cash because they are generally not measurable until actually received.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. *Budgetary Procedures*

Budgetary Process: 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 ordinance. These budgetary documents are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. The tax budget and appropriation ordinance are prepared under the direction of the City Manager and submitted to City Council for adoption. Budgeted expenditures represent original appropriations as modified by adjustments during the year. The primary level of budgetary control is at the departmental level. Budget revisions within appropriated amounts are subject to the approval of the City Manager. Changes in a department's total appropriation require action by City Council. For the year ended December 31, 2003, expenditures did not exceed appropriations in any individual department.

Tax Budget: A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources: The County Budget Commission certifies its actions to the City by September 1. As part of this process, the City receives the official certificate of estimated resources which states the projected cash receipts of each fund. On or about January 1, this certificate is amended to include actual unencumbered cash balances from the preceding year.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Appropriations: A temporary appropriation ordinance to control expenditures (expenses) may be passed on or about January 1 for the period through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance may be amended during the year as new information becomes available, provided that total appropriations do not exceed certified estimated resources, as amended. At the end of the fiscal year, all unexpended and unencumbered balances of operating appropriations revert to the fund from which the original appropriation was made, where they become available for future appropriation. Appropriations are adopted by City Council for all funds except the Municipal Court Fund (Agency Fund); however, the City is only required to report herein on the budget adopted for the General Fund.

GAAP/Budget Reconciliation: The City's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP basis). The major differences between the budgetary basis and the GAAP basis is that financial transactions are recorded on a cash and encumbrance basis (budgetary basis) as opposed to when susceptible to accrual (GAAP).

A reconciliation of the General Fund's results of operations for 2003 reported on the budget basis versus the GAAP basis is as follows:

Excess of expenditures and other financing uses over revenues and other financing sources	\$ (4,553,126)
Adjustments:	
Revenue accruals	(1,415,543)
Expenditure accruals	344,855
Encumbrances	<u>2,587,112</u>
Net decrease in fund balance	<u>\$ (3,036,702)</u>

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the future expenditure of funds are recorded in order to reserve a portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the City's budgetary basis of accounting.

The City honors the contracts represented by year-end encumbrances, and the related appropriations are carried forward to the succeeding year. For governmental fund financial statements reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

The budget and actual expenditures included in the General Fund budgetary statement include all expenditures made during the year under the City's budgetary basis of accounting, including expenditures made in the current year that were encumbered and appropriated in the prior year.

E. **Other Significant Accounting Policies**

Cash and Investments: Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the Director of Finance. Interest earned on pooled cash and investments is credited to the General Fund, (except in cases where state law or City ordinances require that the income be allocated to certain specific funds), utilizing a formula based on the month-end balance of each fund.

The City reports its investments at fair value based on quoted market values and recognizes the corresponding change in the fair value of the investments as investment earnings in the year in which the change occurs.

Inventory: Inventory is valued at cost using the first-in, first-out (FIFO) method and consists of expendable supplies held for consumption and items held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund financial statements at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net assets.

Capital Assets: Capital assets, which include land, land improvements, buildings (including renovations and improvements), equipment, and infrastructure assets are reported in the governmental activities column in the government-wide financial statements to the extent the City’s capitalization threshold is met. The City defines capital assets as assets with an estimated useful life in excess of five years (except vehicles) and an individual cost of more than \$1,000. Assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed fixed assets are recorded at their estimated fair market value on the date contributed.

As permitted under the implementation provisions of GASB Statement No. 34, the historical cost of infrastructure assets acquired, significantly reconstructed or that received significant improvements prior to January 1, 1980 have not been included as part of governmental capital assets in the government-wide financial statements.

Costs for maintenance and repairs are expensed when incurred. However, costs for repairs and upgradings that materially add to the value or life of an asset and meet the above criteria are capitalized.

The City depreciates capital assets on a straight-line basis using the following estimated useful lives:

Assets	Years
Land improvements	20
Buildings and improvements	20-40
Equipment	3-20
Infrastructure	25-50

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Compensated Absences: The City accrues for accumulated, unpaid vacation and sick leave earned using the termination payment method specified under GASB Statement No. 16, *Accounting for Compensated Absences*. In the government-wide financial statements, the entire amount of unpaid vacation and sick leave is reported as a liability. A liability for accumulated, unpaid vacation and sick leave is accrued in the governmental fund financial statements only if the amount is currently due and payable at year end. These amounts are recorded as accrued payroll and employee benefits in the fund from which the employees who have accumulated leave are paid. The remaining portion of the liability is not reported in the governmental fund financial statements.

Normally, all vacation time is to be taken in the year available unless approval for carryover is obtained. City employees also earn sick leave which, if not taken, accumulate until retirement. Upon retirement, an employee with ten or more years of service is paid one-third of accumulated sick leave, subject to certain limitations, calculated at current wage rates.

Long-Term Obligations: In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Losses on advance refundings are deferred and amortized over the life of the new debt, or the life of the advance refunded debt, whichever is shorter. Bonds payable are reported net of the applicable unamortized bond premium, discount or advance refunding losses. Bond issuance costs are reported as other assets and amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized as revenues or expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

Fund Balances: In the governmental fund financial statements, reservations of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Grants and Other Intergovernmental Revenues: Grants and assistance awards made on the basis of entitlement programs are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures (expenses) are incurred.

Interfund Transactions: During the course of normal operations, the City has numerous transactions between funds, including the allocation of centralized expenses and transfers of resources to provide services, construct assets and service debt. Such transactions are generally reflected as operating transfers or direct expenses of the fund that is ultimately charged for such costs.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

F. *Recently Issued Accounting Pronouncements*

During May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which clarifies existing accounting guidance and provides greater consistency in accounting for organizations that are closely related to a primary government. The standard, which is effective for fiscal years beginning after June 15, 2003, provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a state or local government. The City has not completed an analysis of the impact of this statement on its reported financial condition and results of operations.

During March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*. This statement amends Statement No. 3 and addresses additional cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principle areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of this statement are effective for financial statements for the year ending December 31, 2005. The City has not determined the impact, if any, that this statement will have on its financial statement disclosures.

During November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. Under provisions of this Statement, a capital asset is considered impaired when its service has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this Statement are effective for fiscal periods beginning after December 15, 2004. The City has not determined the impact, if any, that this Statement will have on its financial statements.

NOTE 3 - CASH AND INVESTMENTS

The City's cash and investment policy is governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. These items permit the City to invest its moneys in certificates of deposit, savings accounts, certain money market funds, bankers acceptances, obligations of the U.S. government, U.S. government agencies and government sponsored enterprises, and repurchase agreements backed by securities of the U.S. government or certain agencies or sponsored enterprises thereof. The City also may invest in shares of three mutual funds which invest in corporate and GNMA bonds: Vanguard Short-Term Corporate Fund, Vanguard Intermediate-Term Corporate Fund, and Vanguard GNMA Fund.

In accordance with the above mentioned statutes, public depositories must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation or may pledge a pool of securities with a statutory value of at least 105 percent of the total uninsured amount of public moneys on deposit at the institution. Repurchase agreements are secured by the specific government security acquired under the repurchase agreement. Bankers acceptances are secured by the specific property covered by the bankers acceptance. All collateral, whether specific or pooled, is held by a Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the City.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Deposits: Under the provisions of Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, deposits are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) collateralized with securities held by pledging financial institution's trust department or agent in the entity's name, or (3) uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the entity's name. At December 31, 2003, the carrying amount of the City's deposits including certificates of deposit was \$1,061,701 and the bank balance was \$1,866,609 of which \$250,442 was covered by Federal depository insurance and \$1,616,167 was uninsured and uncollateralized as defined by GASB. The uncollateralized deposits were, however, covered by a pledged collateral pool not held in the City's name, as permitted under Ohio law.

Investments: The City's investments are categorized as follows in accordance with the provisions of GASB Statement No. 3 to give an indication of the level of credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name; Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the City's name; and Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or its trust department or agent but not in the City's name.

The City's investments are shown below:

<u>Type of Investment</u>	<u>Category</u>	<u>Fair Value</u>	<u>Cost</u>
U. S. government securities	1	\$ 1,081,020	\$ 1,085,750
Federal Home Loan Bank securities	3	2,565,758	2,522,417
Fannie Mae securities	3	1,089,770	994,920
Federal Home Loan Mortgage Corporation securities	3	1,029,720	1,016,837
Federal Farm Credit Bank securities	3	768,653	750,638
Banker's Acceptances	3	641,457	639,144
Vanguard Intermediate-Term Corporate Fund	N/A	4,293,195	4,000,000
Vanguard Short-Term Corporate Fund	N/A	4,070,336	4,000,000
Vanguard GNMA Fund	N/A	3,106,041	3,000,000
STAROhio	N/A	<u>836,667</u>	<u>836,667</u>
Total Investments		19,482,617	18,846,373
Total Deposits		<u>420,244</u>	<u>422,557</u>
Total Deposits and Investments		<u>\$19,902,861</u>	<u>\$19,268,930</u>

STAROhio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. This investment is not classified by credit risk category because it does not exist in physical or book entry form. The fair value of the City's position in the investment pool is equal to the fair value of the underlying assets of the pool. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

The three Vanguard investments are no-load mutual funds that are registered with the Securities and Exchange Commission as investment companies. The fair value of the City's position in these funds is equal to the fair value of the underlying assets of each. These investments are not classified by credit risk category because they do not exist in physical or book entry form.

Reconciliation to Financial Statements: Total cash and investments are reported as follows:

Government-Wide Financial Statements

Unrestricted:	
Cash and investments	<u>\$19,814,640</u>

Fund Financial Statements

Balance Sheet — Governmental Funds:	
Cash and investments	\$19,814,640
Statement of Fiduciary Net Assets:	
Cash	<u>88,221</u>
Total	<u>\$19,902,861</u>

NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

Receivables consist of the following at December 31, 2003:

	Income Taxes	Property Taxes	Special Assess- ments	Other	Gross Receivables	Allowance for Uncol- lectibles	Net
Governmental Activities							
Governmental Funds							
General Fund	\$ 6,453,265	\$ 1,843,327	\$ -	\$ 244,561	\$ 8,541,153	\$ (478,483)	\$ 8,062,670
Special Assessment							
Bond Retirement Fund	-	-	13,184,274	-	13,184,274	(59,999)	13,124,275
Other Governmental							
Funds	<u>-</u>	<u>4,039,549</u>	<u>20,381</u>	<u>22,856</u>	<u>4,082,786</u>	<u>(6,632)</u>	<u>4,076,154</u>
Total Receivables	<u>\$ 6,453,265</u>	<u>\$ 5,882,876</u>	<u>\$ 13,204,655</u>	<u>\$ 267,417</u>	<u>\$ 25,808,213</u>	<u>\$ (545,114)</u>	<u>\$ 25,263,099</u>

Governmental fund financial statements report deferred revenue pertaining to receivables that are not considered to be available to liquidate liabilities of the current period. Revenue recognition is also deferred with respect to grant revenues that have been received, but all eligibility requirements have not been met. For purposes of the government-wide financial statements, the availability criteria is not considered in determining deferred revenue.

The various components of deferred revenue reported in the accompanying financial statements were as follows:

	<u>Government-Wide Statement of Net Assets</u>	<u>Governmental Funds Balance Sheet</u>
Governmental Funds:		
General Fund:		
Property tax receivable	\$ 1,265,550	\$ 1,265,206
Income tax receivable	-	1,898,923
State shared revenue receivable	-	1,268,590
Intergovernmental revenue receivable	<u>-</u>	<u>342,862</u>
Total General Fund	<u>1,265,550</u>	<u>4,775,581</u>
Special Assessment Bond Retirement Fund:		
Special assessment receivable and land held for resale	<u>3,772,811</u>	<u>13,248,489</u>
Other Governmental Funds:		
Property tax receivable	3,753,434	3,771,865
Income tax receivable	-	14,290
State shared revenue receivable	-	827,301
Intergovernmental revenue receivable	<u>-</u>	<u>449,940</u>
Total other governmental funds	<u>3,753,434</u>	<u>5,063,396</u>
Total Deferred Revenue	<u>\$ 8,791,795</u>	<u>\$ 23,087,466</u>

NOTE 5 – MUNICIPAL COURT

The Mentor Municipal Court was created by Section 1901.2 of the Ohio Revised Code and has territorial jurisdiction over the City of Mentor and the City of Mentor-on-the-Lake. The Mentor Municipal Court has preliminary hearing jurisdiction in felony cases, original jurisdiction in civil cases when the amount in dispute does not exceed \$15,000, original jurisdiction in traffic and non-traffic misdemeanor cases, and exclusive original jurisdiction in small claims cases.

The collection activities of the Municipal Court are accounted for in a separate Agency Fund in the accompanying basic financial statements. Fines and costs collected by the Municipal Court and related to the City of Mentor are recorded as revenue in the General Fund. The costs associated with the operations of the Municipal Court are borne by the City and recorded in the General Fund. Fines and costs collected for the State of Ohio, subdivisions thereof, and individuals, which have not been disbursed as of year-end, are recognized as liabilities in the Municipal Court Agency Fund.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 6 – CAPITAL ASSETS

Capital Asset Activity: Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance January 1, 2003	Additions	Deductions	Balance December 31, 2003
		(Amount in 000's)		
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 50,737	\$ 1,644	\$ (27)	\$ 52,354
Construction in progress	<u>4,793</u>	<u>4,858</u>	<u>(3,780)</u>	<u>5,871</u>
Total capital assets, not being depreciated	<u>55,530</u>	<u>6,502</u>	<u>(3,807)</u>	<u>58,225</u>
Capital assets, being depreciated:				
Land improvements	6,562	236	-	6,798
Buildings and improvements	38,694	1,722	(566)	39,850
Equipment	16,867	923	(226)	17,564
Infrastructure	<u>86,638</u>	<u>5,844</u>	<u>-</u>	<u>92,482</u>
Cost	<u>148,761</u>	<u>8,725</u>	<u>(792)</u>	<u>156,694</u>
Less accumulated depreciation for:				
Land improvements	(4,400)	(229)	-	(4,629)
Buildings and improvements	(10,447)	(1,050)	383	(11,114)
Equipment	(8,892)	(1,559)	208	(10,243)
Infrastructure	<u>(21,837)</u>	<u>(1,938)</u>	<u>-</u>	<u>(23,775)</u>
Total accumulated depreciation	<u>(45,576)</u>	<u>(4,776)</u>	<u>591</u>	<u>(49,761)</u>
Total accumulated assets being depreciated, net	<u>103,185</u>	<u>3,949</u>	<u>(201)</u>	<u>106,933</u>
Capital assets, net	<u>\$ 158,715</u>	<u>\$ 10,451</u>	<u>\$ (4,008)</u>	<u>\$ 165,158</u>

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

	(Amounts in 000's)
Governmental Activities:	
General government	\$ 188
Police	569
Fire	480
Streets and highways	2,309
Parks, recreation and public lands	1,175
Community development	12
Engineering and building	<u>43</u>
Total depreciation expense charged to governmental activities	<u>\$ 4,776</u>

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Construction Commitments: Significant capital commitments of the City as of December 31, 2003 are composed of the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
	<u>(Amounts in 000's)</u>	
Heisley Road improvements	\$6,527	\$7,532

NOTE 7 – DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of the changes in the debt and other long-term obligations of the City during the year ended December 31, 2003 is as follows:

	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance December 31, 2003</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds due through 2017, 4.8% to 9.125%	\$ 19,335,015	\$ -	\$ (1,174,191)	\$ 18,160,824	\$ 1,218,680
Special Assessment Bonds due through 2022, 3% to 9.625%	10,184,985	-	(745,809)	9,439,176	781,320
Other Obligations:					
Compensated absences	2,466,493	96,863	(140,209)	2,423,147	1,149,118
Claims and judgments	50,000	-	-	50,000	-
Capital projects notes payable	<u>30,000</u>	<u>-</u>	<u>(10,000)</u>	<u>20,000</u>	<u>10,000</u>
 Total Debt and Other Long-Term Obligations	 <u>\$32,066,493</u>	 <u>\$ 96,863</u>	 <u>\$ (2,070,209)</u>	 <u>\$30,093,147</u>	 <u>\$ 3,159,118</u>

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Bonds payable at December 31, 2003 are comprised of the following issues:

	Amount of Original Issuance	Bonds Outstanding December 31, 2003
Governmental Activities Obligations:		
General unvoted obligations:		
1985 Police Facilities Bonds due in annual installments of \$170,000 through 2005, plus interest at 9.125%	\$ 3,200,000	\$ 375,000
1985 Community Center Bonds due in annual installments of \$125,000 through 2006, plus interest at 9.125%	2,500,000	340,000
1991 Street Improvement Bonds due in annual installments ranging from \$8,995 to \$26,728 through 2011, plus interest at rates varying between 6.5% to 7.15%	302,489	170,125
1993 Various Purpose Improvement Bonds due in annual installments ranging from \$112,864 to \$308,205, through 2013, plus interest at rates varying between 5.0% to 5.65%	3,820,000	2,430,910
1996 Various Purpose Improvement Bonds due in annual installments ranging from \$127,123 to \$400,926 through 2016, plus interest at rates varying from 5.5% to 5.6%	4,860,000	3,764,789
1997 Various Purpose Acquisition and Improvement Bonds due in annual installments of \$370,000 to \$1,125,000 through 2017, plus interest at rates varying between 4.8% to 5.25%	<u>13,680,000</u>	<u>11,080,000</u>
Total general obligation bonds	<u>28,362,489</u>	<u>18,160,824</u>
Special assessment obligations:		
1985 Great Lakes-East Avenue-Heisley Commerce Street Improvement Bonds due in annual installments of \$130,000 through 2006, plus interest at 9.625%	2,525,000	390,000
1987 Tyler Boulevard-White Oak Drive Improvement Bonds due in annual installments of \$85,000 to \$210,000 through 2007, plus interest at 7.9%	2,240,000	750,000
1991 Street Improvement Bonds due in annual installments ranging from \$166,005 to \$493,272 through 2011, plus interest at rates varying between 6.7% to 7.15%	5,582,511	3,139,875
1993 Various Purpose Improvement Bonds due in annual installments ranging from \$17,136 to \$46,795 through 2013, plus interest at rates varying between 5% to 5.65%	580,000	369,090
1996 Various Purpose Improvement Bonds due in annual installments ranging from \$2,877 to \$9,074 through 2016, plus interest at rates varying between 5.4% to 5.6%	110,000	85,211
2002 Tyler Boulevard Extension Bonds due in annual installments ranging from \$145,000 to \$375,000 through 2022, plus interest at rates varying between 3% to 4.7%	<u>4,850,000</u>	<u>4,705,000</u>
Total special assessment bonds	<u>15,887,511</u>	<u>9,439,176</u>
Total bonds	<u>\$44,250,000</u>	<u>\$27,600,000</u>

All bonds outstanding are backed by the full faith and credit of the City. It is the City's policy to pay debt service on the special assessment bonds from the related special assessment levies and any amounts being held in the Special Assessment Bond Retirement Fund, which are reserved for debt service.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

The following is a summary of the City's future debt service requirements as of December 31, 2003:

Year Ending <u>December 31</u>	Governmental Activities				<u>Total</u>
	General		Special		
	<u>Obligation Bonds</u>		<u>Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2004	\$ 1,218,680	\$ 996,746	\$ 781,320	\$ 547,281	\$ 3,544,027
2005	1,278,315	921,846	831,685	495,202	3,527,048
2006	1,167,291	844,565	877,709	438,542	3,328,107
2007	1,106,377	778,679	798,623	377,766	3,061,445
2008	1,175,242	720,641	624,758	325,769	2,846,410
2009-2013	6,945,700	2,570,668	2,709,300	1,035,094	13,260,762
2014-2018	5,269,219	687,870	1,415,781	521,569	7,894,439
2019-2023	-	-	<u>1,400,000</u>	<u>167,505</u>	<u>1,567,505</u>
	<u>\$ 18,160,824</u>	<u>\$ 7,521,015</u>	<u>\$ 9,439,176</u>	<u>\$ 3,908,728</u>	<u>\$ 39,029,743</u>

Under the Ohio Revised Code, at December 31, 2003, the City legally could issue approximately \$58.7 million of additional, unvoted, general obligation debt.

Conduit Debt: From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the payments received by the bond trustee on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The bonds do not constitute a debt or pledge of the faith and credit of the City and, accordingly, have not been reported in the accompanying financial statements.

As of December 31, 2003, there were seven series of industrial revenue bonds outstanding. The aggregate principal amount payable for the three series issued since July 1, 1995, was \$7.5 million. The aggregate principal amount payable for the four series issued prior to July 1, 1995, could not be determined; however their original issue amounts totaled \$8.1 million.

NOTE 8 – COMPLIANCE AND ACCOUNTABILITY

At December 31, 2003, the Garfield Road Improvements and Headlands Road/Bridge Improvements Capital Project Funds had deficit fund balances of \$162,381 and \$275,112, respectively. In addition, the Community Development Block Grant 03-04 Special Revenue Fund had a deficit fund balance of \$6,566. These deficits will be eliminated through the receipt of grant proceeds during 2004. No other funds had deficit balances at December 31, 2003.

NOTE 9 – RISK MANAGEMENT

Self Insurance: The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to dental benefits provided to City employees and their covered dependents. The City is also self-insured for the cost of collision claims resulting from the use of City vehicles, except for fire and rescue vehicles that remain

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

insured through a private insurance company. In accordance with GASB Statement No. 10, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (“IBNRs”). Claims that meet this criteria are reported as liabilities in the government-wide statement of net assets.

The process of estimating claims liabilities depends on many complex factors, such as inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries from subrogation or otherwise, are another component of the claims liability estimate.

The City’s financial activity relating to its self-insured risks is accounted for in the General Fund.

Changes in the estimated claims payable for self-insured risks (employee dental benefits) during the years ended December 31, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
Estimated claims payable, January 1	\$ 35,896	\$ 34,397
Current year claims (including IBNRs) and changes in estimates	226,870	204,515
Claim payments	<u>(222,000)</u>	<u>(203,016)</u>
Estimated claims payable, December 31	<u>\$ 40,766</u>	<u>\$ 35,896</u>

Insurance: The City purchases insurance policies in varying amounts for general liability, property damage, employee health care benefits (excluding dental benefits), and employee and police officials’ liability, including errors and omissions of the City’s safety forces. Otherwise, the City is generally self-insured. No material losses, including incurred but not reported losses, occurred in 2003. There was no significant decrease in any insurance coverages in 2003. In addition, there were no insurance settlements in excess of insurance coverage during the past three fiscal years.

The City provides the choice of two separate health insurance plans for its employees. These plans are provided by two different insurers through commercial insurance. Operating funds are charged a monthly rate per employee by type of coverage. The City participates in the State of Ohio workers’ compensation program to provide workers’ compensation benefits to its employees.

NOTE 10 – CONTINGENCIES

The City participates in certain federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies should an audit be performed cannot be determined at this time, although the City expects any disallowance would be immaterial.

In addition, there are certain pending lawsuits in which the City is involved. The City’s management, after consultation with the city’s Law Director, is of the opinion that potential uninsured claims against the City are not material to the City’s basic financial statements.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 11 – INTERFUND TRANSACTIONS AND BALANCES

Interfund Transactions: During the course of normal operations, the City records numerous transactions between funds including expenditures and transfers of resources to provide services, subsidize operations, and service debt. The City has the following types of transactions among funds:

- (1) Nonreciprocal interfund transfers – Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes operating transfers to subsidize various funds.
- (2) Nonreciprocal interfund reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

For the year ended December 31, 2003, operating transfers consisted of the following:

Transfers Out	Total	Transfers In		
		General Fund	Other Governmental Funds	Total Governmental Funds
Governmental Funds:				
General	\$ 17,348	\$ -	\$ -	\$ -
Other governmental	<u>482,833</u>	<u>-</u>	<u>500,181</u>	<u>500,181</u>
Total Transfers Out	<u>\$ 500,181</u>	<u>\$ -</u>	<u>\$ 500,181</u>	<u>\$ 500,181</u>

Interfund balances: Interfund balances at December 31, 2003 represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. All are expected to be paid within one year.

Interfund receivable and payable balances as of December 31, 2003 are as follows:

Due To	Total	Due From			
		General Fund	Special Assessment Bond Retirement Fund	Other Governmental Funds	Total
Governmental Funds:					
General	\$ -	\$ 452,389	\$ -	\$ -	\$ 452,389
Special Assessment Bond Retirement	1,714	-	-	-	-
Other governmental	<u>451,513</u>	<u>-</u>	<u>-</u>	<u>838</u>	<u>838</u>
Total	<u>\$ 453,227</u>	<u>\$ 452,389</u>	<u>\$ -</u>	<u>\$ 838</u>	<u>\$ 453,227</u>

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 12 - TAXES

Income Taxes – A two percent City income tax is levied on substantially all income earned within the City. On May 7, 2002, the two percent income tax was renewed by the voters for a five year period through December 31, 2007. In addition, the residents of the City are required to pay City income tax on income they earn outside the City; however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to an intermediary collection agency (Central Collection Agency) at least quarterly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the collection agency. The collection agency remits taxes collected for the City each month, net of a charge for the cost of services and a credit for interest earned on amounts collected between remittances.

Property Taxes – Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied in October of the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued by appraisal every six years and, three years after each revaluation, all property values are reviewed and revised, as necessary, as part of a triennial update based on recent sales of properties. The last revaluation was completed in 2003. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable June 20. In certain instances, State statute permits earlier or later payment dates to be established.

Personal property (other than public utility) taxes are levied in October of the preceding calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

Public utility real and tangible personal property taxes collected in one calendar year are levied in October of the preceding calendar year on assessed values determined as of January 1 of that preceding year, the lien date.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Mentor. The County Auditor periodically remits to the City its portion of taxes collected with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

The assessed value upon which the 2002 levy (collected in 2003) was based was approximately \$1.4 billion. Ohio law limits unvoted property taxation, combined for all overlapping taxing authorities, to 10 mills. The City's current share of the unvoted property tax is 3 mills of assessed value, and the City's total property tax levy, including all voted levies, is 4.50 mills of assessed value.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

NOTE 13 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System: All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employee public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar years 2003, 2002, and 2001 the employer pension contribution rates for the City were 13.55 percent of covered payroll. Contributions are authorized by State statute and the contribution rates are determined actuarially. The City’s required contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$1,783,700, \$1,676,300 and \$1,440,000, respectively, equal to the required payments for each year.

Ohio Police and Fire Pension Fund: The City contributes to the Ohio Police and Fire Pension Fund (“OP&F”), a cost sharing multiple employer public employee retirement system administered by the OP&F’s Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police and 24 percent for firefighters. Contributions are authorized by State statute. The City’s contributions to the OP&F for police and firefighters were \$925,586 and \$1,112,261 for the year ended December 31, 2003, \$853,881 and \$1,053,113 for the year ended December 31, 2002, and \$785,247 and \$1,036,092 for the year ended December 31, 2001, respectively, equal to the required payments for each year.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: The Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer’s contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. Of the 2003 employer contribution rate of 13.55 percent of covered payroll, 5 percent was the portion that was used to fund health postretirement care benefits for 2003.

CITY OF MENTOR, OHIO

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. At December 31, 2002, the number of active contribution participants in OPERS was 364,881. The City's actual contributions for 2003, which were used to fund postemployment benefits, were \$658,185. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002 (the latest information available) were \$10.0 billion. The actuarial liability and the unfunded actuarial liability were \$18.7 billion and \$8.7 billion, respectively.

Ohio Police and Fire Pension Fund: The Ohio Police and Fire Pension Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a two thirds basis.

The health care coverage provided by the OP&F is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code permits the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. Of the total police employer contribution of 19.5 percent of covered payroll and the total firefighter employer contribution of 24 percent of covered payroll, 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2003 that were used to fund post employment benefits were \$367,458 for police and \$359,260 for firefighters. The OP&F's total health care expenses for the year ended December 31, 2002 (the latest information available) were \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002 was 13,527 police and 10,396 firefighters.

***SUPPLEMENTARY
INFORMATION***

CITY OF MENTOR, OHIO

GENERAL FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:				
Property taxes	\$ 1,388,200	\$ 1,388,200	\$ 1,386,305	\$ (1,895)
Municipal income tax	27,080,000	27,080,000	26,725,365	(354,635)
Intergovernmental	16,621,839	10,211,678	9,751,887	(459,791)
Charges for services	2,630,100	2,630,100	2,726,280	96,180
Fines and forfeitures	1,091,000	1,091,000	1,186,881	95,881
Licenses, permits, and inspections	1,096,700	1,096,700	1,099,716	3,016
Investment income	1,115,000	1,115,000	1,068,691	(46,309)
Other	<u>59,300</u>	<u>59,300</u>	<u>699,689</u>	<u>640,389</u>
Total revenues	<u>51,082,139</u>	<u>44,671,978</u>	<u>44,644,814</u>	<u>(27,164)</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
Council:				
Employee compensation	178,340	218,544	200,122	18,422
Other	<u>192,600</u>	<u>202,600</u>	<u>144,867</u>	<u>57,733</u>
Total council	<u>370,940</u>	<u>421,144</u>	<u>344,989</u>	<u>76,155</u>
Court:				
Employee compensation	725,450	725,450	678,424	47,026
Other	<u>347,254</u>	<u>347,254</u>	<u>293,947</u>	<u>53,307</u>
Total court	<u>1,072,704</u>	<u>1,072,704</u>	<u>972,371</u>	<u>100,333</u>
City manager:				
Employee compensation	1,023,580	1,023,580	951,258	72,322
Other	<u>1,049,011</u>	<u>1,074,875</u>	<u>746,570</u>	<u>328,305</u>
Total city manager	<u>2,072,591</u>	<u>2,098,455</u>	<u>1,697,828</u>	<u>400,627</u>
Finance:				
Employee compensation	753,760	753,760	717,399	36,361
Other	<u>1,569,436</u>	<u>1,569,436</u>	<u>1,368,100</u>	<u>201,336</u>
Total finance	<u>2,323,196</u>	<u>2,323,196</u>	<u>2,085,499</u>	<u>237,697</u>
Legal:				
Employee compensation	310,750	310,750	284,326	26,424
Other	<u>351,720</u>	<u>1,176,720</u>	<u>1,017,858</u>	<u>158,862</u>
Total legal	<u>662,470</u>	<u>1,487,470</u>	<u>1,302,184</u>	<u>185,286</u>
Other	<u>1,665,000</u>	<u>1,169,514</u>	<u>420,225</u>	<u>749,289</u>
Total general government	<u>8,166,901</u>	<u>8,572,483</u>	<u>6,823,096</u>	<u>1,749,387</u>

CITY OF MENTOR, OHIO

**GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
POLICE:				
Employee compensation	\$ 6,788,770	\$ 6,788,770	\$ 6,397,783	\$ 390,987
Other	<u>3,060,474</u>	<u>3,129,449</u>	<u>2,919,217</u>	<u>210,232</u>
Total police	<u>9,849,244</u>	<u>9,918,219</u>	<u>9,317,000</u>	<u>601,219</u>
FIRE:				
Employee compensation	5,194,340	5,194,340	4,784,462	409,878
Other	<u>4,417,601</u>	<u>4,529,435</u>	<u>4,118,931</u>	<u>410,504</u>
Total fire	<u>9,611,941</u>	<u>9,723,775</u>	<u>8,903,393</u>	<u>820,382</u>
STREETS AND HIGHWAYS:				
Employee compensation	2,966,050	2,978,050	2,829,544	148,506
Other	<u>19,189,060</u>	<u>14,204,419</u>	<u>11,242,606</u>	<u>2,961,813</u>
Total streets and highways	<u>22,155,110</u>	<u>17,182,469</u>	<u>14,072,150</u>	<u>3,110,319</u>
PARKS, RECREATION AND PUBLIC LANDS:				
Employee compensation	3,563,820	3,551,405	3,319,114	232,291
Other	<u>4,576,803</u>	<u>4,765,893</u>	<u>3,625,733</u>	<u>1,140,160</u>
Total parks, recreation and public lands	<u>8,140,623</u>	<u>8,317,298</u>	<u>6,944,847</u>	<u>1,372,451</u>
COMMUNITY DEVELOPMENT:				
Employee compensation	761,150	747,150	701,478	45,672
Other	<u>366,570</u>	<u>380,570</u>	<u>346,774</u>	<u>33,796</u>
Total community development	<u>1,127,720</u>	<u>1,127,720</u>	<u>1,048,252</u>	<u>79,468</u>
ENGINEERING AND BUILDING:				
Employee compensation	1,269,900	1,269,900	1,172,144	97,756
Other	<u>2,039,506</u>	<u>2,039,506</u>	<u>1,507,670</u>	<u>531,836</u>
Total engineering and building	<u>3,309,406</u>	<u>3,309,406</u>	<u>2,679,814</u>	<u>629,592</u>
Total expenditures	<u>62,360,945</u>	<u>58,151,370</u>	<u>49,788,552</u>	<u>8,362,818</u>
Excess (deficiency) of revenues over expenditures	<u>(11,278,806)</u>	<u>(13,479,392)</u>	<u>(5,143,738)</u>	<u>8,335,654</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	-	(17,348)	(17,348)	-
Advances in	1,341,000	1,341,000	1,059,473	(281,527)
Advances out	<u>-</u>	<u>(451,513)</u>	<u>(451,513)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,341,000</u>	<u>872,139</u>	<u>590,612</u>	<u>(281,527)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(9,937,806)	(12,607,253)	(4,553,126)	8,054,127
Adjustment for prior year encumbrances	3,502,828	3,502,828	3,502,828	-
FUND BALANCES, BEGINNING OF YEAR	<u>10,606,057</u>	<u>10,606,057</u>	<u>10,606,057</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,171,079</u>	<u>\$ 1,501,632</u>	<u>\$ 9,555,759</u>	<u>\$ 8,054,127</u>

CITY OF MENTOR, OHIO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City's special revenue funds are described below:

Street Fund	Required by the Ohio Revised Code to account for that portion of the motor vehicle registration fees and state gasoline tax designated for the construction, maintenance, and repairs of streets and highways.
Police Pension Fund	To accumulate property taxes levied toward partial payment of the current liability for police disability and pension benefits.
Fire Pension Fund	To accumulate property taxes levied toward partial payment of the current liability for fire fighters' disability and pension benefits.
Fire Levy Fund	To accumulate property taxes levied for the purpose of providing and maintaining fire equipment and for the payment of salaries and expenses of permanent and part-time firefighters.
Senior Citizens Services Levy Fund	To account for property taxes levied by Lake County and distributed to the City for the purpose of providing funding for senior citizen projects and operating costs of the City's Senior Citizens Center.
Community Recreation Facilities Fund	To provide funds for debt service relating to recreational facilities.
Cemetery Fund	To account for monies received from the sale of cemetery lots and designated for the enlargement, improvement, embellishment, and care of cemetery grounds.
Economic Development Fund	To account for monies paid to the City in conjunction with the Mentor Economic Assistance Corporation, as certified by the Small Business Administration.
Subdivision Street Tree Fund	To accumulate subdivision fees to be used for planting trees to beautify the City.
Street Lighting Fund	To accumulate street lighting assessment revenues levied for payment of current street lighting operating costs.
Court Computer Fund	To accumulate fees collected for computerization of the Mentor Municipal Court.
Court Special Projects Fund	To accumulate filing fees collected for special projects of the Mentor Municipal Court.
Enforcement and Education Fund	To account for fines received from the Mentor Municipal Court to be used by the Mentor Police Department to cover costs incurred in enforcing DUI laws and educating the public regarding such laws.

SPECIAL REVENUE FUNDS (Continued)

Court Probation Services Fund	To accumulate probation fees collected for the operation of Mentor Municipal Court's Probation Department.
Indigent Driver Alcohol Treatment Fund	To account for fines and fees received from the Mentor Municipal Court and the Ohio Department of Alcohol and Drug Addiction Services for the purpose of providing indigent drivers with alcohol and/or drug treatment.
Law Enforcement Trust Fund	To account for monies received from the seizure and sale of contraband and property used in criminal activity.
Police Canine Fund	To account for monies received from the Ortrud Higgins Trust for the Police Department's canine unit.
Seat Belt Grant Fund	To account for monies received from the Ohio Department of Highway Safety for the encouragement of seat belt use.
VOCA Victims Assistance Grant 02-03 Fund	To account for monies received from the Crime Victims Assistance Office to assist victims of crime.
VOCA Victims Assistance Grant 03-04 Fund	To account for monies received from the Crime Victims Assistance Office to assist victims of crime.
Community Development Block Grant 97-98 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 98-99 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 99-00 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 00-01 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 01-02 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 02-03 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Community Development Block Grant 03-04 Fund	To account for monies received from the U.S. Department of Housing and Urban Development for various community development block grant programs.
Forfeited Property – U.S. Department of Justice Fund	To account for shared federally forfeited property proceeds received from the U.S. Department of Justice.

SPECIAL REVENUE FUNDS (Continued)

Council Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by City Council.
Police Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by the Police Department.
Fire Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by the Fire Department.
Senior Citizens Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes provided by the Mentor Senior Citizens Center.
Cultural Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by the Wildwood Cultural Center.
Beautification Donation Fund	To account for donations from various sources and individuals to be used to support specific purposes or programs provided by the City of Mentor’s Beautification Commission.
IBIM Festival Fund	To account for revenue received from the It’s Better in Mentor Festival to cover the cost of operating the festival.

DEBT SERVICE FUNDS

General Obligation Bond Retirement Fund	To accumulate property taxes levied toward retirement of outstanding general obligation debt.
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CAPITAL PROJECTS FUNDS

Garfield Road Improvements Fund	To account for the financing of road improvements on Garfield Road from State Route 84 to the City’s southern corporation limit.
Chillicothe Road Widening & Resurfacing Fund Phase 1	To account for the financing of the widening and resurfacing of Chillicothe Road from State Route 20 to State Route 84.
Headlands Road/Bridge Improvements Fund	To account for the financing of the replacement of the bridge over Shipman Pond and improving its roadway approaches.
Chillicothe Road Widening & Resurfacing Fund Phase 2	To account for the financing of the widening and resurfacing Chillicothe Road from King Memorial Road to Fairlawn Avenue.

CITY OF MENTOR, OHIO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2003

	Street	Police Pension	Fire Pension	Fire Levy
ASSETS				
Cash and investments	\$ 1,671,129	\$ -	\$ -	\$ 2,245
Receivables, net of allowance for doubtful accounts	-	442,824	442,824	1,230,291
Due from other funds	-	-	-	297
Due from other governments	<u>778,877</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,450,006</u>	<u>\$ 442,824</u>	<u>\$ 442,824</u>	<u>\$ 1,232,833</u>
LIABILITIES				
Accounts payable	\$ 248,910	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	<u>554,320</u>	<u>442,824</u>	<u>442,824</u>	<u>1,230,588</u>
Total liabilities	<u>803,230</u>	<u>442,824</u>	<u>442,824</u>	<u>1,230,588</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	-	-
Encumbrances	535,403	-	-	-
Unreserved, undesignated	<u>1,111,373</u>	<u>-</u>	<u>-</u>	<u>2,245</u>
Total fund balances	<u>1,646,776</u>	<u>-</u>	<u>-</u>	<u>2,245</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,450,006</u>	<u>\$ 442,824</u>	<u>\$ 442,824</u>	<u>\$ 1,232,833</u>

Special Revenue Funds

<u>Senior Citizens Services Levy</u>	<u>Community Recreation Facilities</u>	<u>Cemetery</u>	<u>Economic Development</u>	<u>Subdivision Street Tree</u>	<u>Street Lighting</u>	<u>Court Computer</u>	<u>Court Special Projects</u>
\$ 349,579	\$ 45,600	\$ 278,111	\$ 85,412	\$ 53,794	\$ 486,372	\$ 121,412	\$ 117,028
-	-	-	-	-	13,749	8,641	8,608
-	-	-	-	-	541	-	-
-	-	-	-	-	-	-	-
<u>\$ 349,579</u>	<u>\$ 45,600</u>	<u>\$ 278,111</u>	<u>\$ 85,412</u>	<u>\$ 53,794</u>	<u>\$ 500,662</u>	<u>\$ 130,053</u>	<u>\$ 125,636</u>
\$ 255	\$ -	\$ -	\$ -	\$ -	\$ 152,043	\$ 3,263	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	14,290	-	-
<u>255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,333</u>	<u>3,263</u>	<u>-</u>
-	-	-	-	-	-	-	-
1,713	-	-	-	655	-	-	-
<u>347,611</u>	<u>45,600</u>	<u>278,111</u>	<u>85,412</u>	<u>53,139</u>	<u>334,329</u>	<u>126,790</u>	<u>125,636</u>
<u>349,324</u>	<u>45,600</u>	<u>278,111</u>	<u>85,412</u>	<u>53,794</u>	<u>334,329</u>	<u>126,790</u>	<u>125,636</u>
<u>\$ 349,579</u>	<u>\$ 45,600</u>	<u>\$ 278,111</u>	<u>\$ 85,412</u>	<u>\$ 53,794</u>	<u>\$ 500,662</u>	<u>\$ 130,053</u>	<u>\$ 125,636</u>

CITY OF MENTOR, OHIO

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	Enforcement and Education	Court Probation Services	Indigent Driver Alcohol Treatment	Law Enforcement Trust	Police Canine
ASSETS					
Cash and investments	\$ 15,755	\$ 22,566	\$ 43,289	\$ 32,329	\$ 114,156
Receivables, net of allowance for doubtful accounts	598	4,534	475	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	5,000	-	-
TOTAL ASSETS	<u>\$ 16,353</u>	<u>\$ 27,100</u>	<u>\$ 48,764</u>	<u>\$ 32,329</u>	<u>\$ 114,156</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,900
Accrued liabilities	-	-	16,800	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	5,000	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>21,800</u>	<u>-</u>	<u>3,900</u>
FUND BALANCES					
Reserved for:					
Debt service	-	-	-	-	-
Encumbrances	-	-	3,000	-	-
Unreserved, undesignated	16,353	27,100	23,964	32,329	110,256
Total fund balances	<u>16,353</u>	<u>27,100</u>	<u>26,964</u>	<u>32,329</u>	<u>110,256</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,353</u>	<u>\$ 27,100</u>	<u>\$ 48,764</u>	<u>\$ 32,329</u>	<u>\$ 114,156</u>

Special Revenue Funds

Seat Belt Grant	VOCA Victims Assistance Grant 02-03	VOCA Victims Assistance Grant 03-04	Community Development Block Grant 97-98	Community Development Block Grant 98-99	Community Development Block Grant 99-00	Community Development Block Grant 00-01	Community Development Block Grant 01-02
\$ 8,057	\$ -	\$ 3,000	\$ -	\$ 199	\$ 11,568	\$ 6,046	\$ 4,894
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,948	-	4,231
<u>\$ 8,057</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 199</u>	<u>\$ 13,516</u>	<u>\$ 6,046</u>	<u>\$ 9,125</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,097	\$ 685	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	199	1,925	2,771	9,125
-	-	-	-	-	1,948	-	-
-	-	-	-	199	5,970	3,456	9,125
-	-	-	-	-	-	-	-
-	-	-	-	199	9,494	5,361	4,894
8,057	-	3,000	-	(199)	(1,948)	(2,771)	(4,894)
<u>8,057</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>7,546</u>	<u>2,590</u>	<u>-</u>
<u>\$ 8,057</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 199</u>	<u>\$ 13,516</u>	<u>\$ 6,046</u>	<u>\$ 9,125</u>

CITY OF MENTOR, OHIO

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2003

	Community Development Block Grant 02-03	Community Development Block Grant 03-04	Forfeited Property - U.S. Department of Justice	Council Donation
ASSETS				
Cash and investments	\$ 6,770	\$ -	\$ 191,052	\$ 273
Receivables, net of allowance for doubtful accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	<u>10,579</u>	<u>6,566</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 17,349</u>	<u>\$ 6,566</u>	<u>\$ 191,052</u>	<u>\$ 273</u>
LIABILITIES				
Accounts payable	\$ -	\$ 6,566	\$ 30,426	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	<u>-</u>	<u>6,566</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>13,132</u>	<u>30,426</u>	<u>-</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	-	-
Encumbrances	-	-	158,627	-
Unreserved, undesignated	<u>17,349</u>	<u>(6,566)</u>	<u>1,999</u>	<u>273</u>
Total fund balances	<u>17,349</u>	<u>(6,566)</u>	<u>160,626</u>	<u>273</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 17,349</u>	<u>\$ 6,566</u>	<u>\$ 191,052</u>	<u>\$ 273</u>

Special Revenue Funds						Total Special Revenue Funds	Debt Service Fund General Obligation Bond Retirement
Police Donation	Fire Donation	Senior Citizens Donation	Cultural Donation	Beautification Donation	IBIM Festival		
\$ 4,002	\$ 3,605	\$ 12,448	\$ 75,866	\$ 1,192	\$ -	\$ 3,767,749	\$ 173,787
-	-	-	-	-	-	2,152,544	1,923,610
-	-	-	-	-	-	838	-
-	-	-	-	-	-	807,201	-
<u>\$ 4,002</u>	<u>\$ 3,605</u>	<u>\$ 12,448</u>	<u>\$ 75,866</u>	<u>\$ 1,192</u>	<u>\$ -</u>	<u>\$ 6,728,332</u>	<u>\$ 2,097,397</u>
\$ -	\$ -	\$ 177	\$ 347	\$ 16	\$ -	\$ 448,685	\$ -
-	-	-	-	-	-	16,800	-
-	-	-	-	-	-	14,020	-
-	-	-	-	-	-	2,698,360	1,923,610
-	-	177	347	16	-	3,177,865	1,923,610
-	-	-	-	-	-	-	173,787
-	-	190	-	-	-	719,536	-
<u>4,002</u>	<u>3,605</u>	<u>12,081</u>	<u>75,519</u>	<u>1,176</u>	<u>-</u>	<u>2,830,931</u>	<u>-</u>
<u>4,002</u>	<u>3,605</u>	<u>12,271</u>	<u>75,519</u>	<u>1,176</u>	<u>-</u>	<u>3,550,467</u>	<u>173,787</u>
<u>\$ 4,002</u>	<u>\$ 3,605</u>	<u>\$ 12,448</u>	<u>\$ 75,866</u>	<u>\$ 1,192</u>	<u>\$ -</u>	<u>\$ 6,728,332</u>	<u>\$ 2,097,397</u>

CITY OF MENTOR, OHIO

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	Capital Project Funds				Total Capital Project Funds	Total All Funds
	Garfield Road Improvements	Chillicothe Road Widening & Resurfacing - Phase 1	Headlands Road/Bridge Improvement	Chillicothe Road Widening & Resurfacing - Phase 2		
ASSETS						
Cash and investments	\$ -	\$ 88,293	\$ (98,019)	\$ 9,940	\$ 214	\$ 3,941,750
Receivables, net of allowance for doubtful accounts	-	-	-	-	-	4,076,154
Due from other funds	-	-	-	-	-	838
Due from other governments	<u>162,381</u>	<u>3,933</u>	<u>373,131</u>	<u>-</u>	<u>539,445</u>	<u>1,346,646</u>
TOTAL ASSETS	<u>\$ 162,381</u>	<u>\$ 92,226</u>	<u>\$ 275,112</u>	<u>\$ 9,940</u>	<u>\$ 539,659</u>	<u>\$ 9,365,388</u>
LIABILITIES						
Accounts payable	\$ -	\$ 13,563	\$ -	\$ -	\$ 13,563	\$ 462,248
Accrued liabilities	-	-	-	-	-	16,800
Due to other funds	162,381	-	275,112	-	437,493	451,513
Deferred revenue	<u>162,381</u>	<u>3,933</u>	<u>275,112</u>	<u>-</u>	<u>441,426</u>	<u>5,063,396</u>
Total liabilities	<u>324,762</u>	<u>17,496</u>	<u>550,224</u>	<u>-</u>	<u>892,482</u>	<u>5,993,957</u>
FUND BALANCES						
Reserved for:						
Debt service	-	-	-	-	-	173,787
Encumbrances	-	6,956	-	9,940	16,896	736,432
Unreserved, undesignated	<u>(162,381)</u>	<u>67,774</u>	<u>(275,112)</u>	<u>-</u>	<u>(369,719)</u>	<u>2,461,212</u>
Total fund balances	<u>(162,381)</u>	<u>74,730</u>	<u>(275,112)</u>	<u>9,940</u>	<u>(352,823)</u>	<u>3,371,431</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 162,381</u>	<u>\$ 92,226</u>	<u>\$ 275,112</u>	<u>\$ 9,940</u>	<u>\$ 539,659</u>	<u>\$ 9,365,388</u>

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CITY OF MENTOR, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

	<u>Street</u>	<u>Police Pension</u>	<u>Fire Pension</u>
REVENUES:			
Property taxes	\$ -	\$ 377,146	\$ 377,146
Other local taxes	375,841	-	-
Intergovernmental	1,548,849	46,626	46,626
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Licenses, permits, and inspections	-	-	-
Special assessments	-	-	-
Investment income	59,612	-	-
Donations and other	-	-	-
Total revenues	<u>1,984,302</u>	<u>423,772</u>	<u>423,772</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Police	-	423,772	-
Fire	-	-	423,772
Streets and highways	612,550	-	-
Parks, recreations and public lands	-	-	-
Community development	-	-	-
Engineering and building	-	-	-
Capital outlay	407,253	-	-
Debt service:			
Principal retirement	-	-	-
Interest and other expenditures	-	-	-
Total expenditures	<u>1,019,803</u>	<u>423,772</u>	<u>423,772</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>964,499</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	<u>(112,833)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(112,833)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	851,666	-	-
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR (As Restated - see Note 2)			
	<u>795,110</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 1,646,776</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds

<u>Fire Levy</u>	<u>Senior Citizens Services Levy</u>	<u>Community Recreation Facilities</u>	<u>Cemetery</u>	<u>Economic Development</u>	<u>Subdivision Street Tree</u>	<u>Street Lighting</u>	<u>Court Computer</u>
\$ 1,187,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	356,369	-	-	-	-	-
141,038	97,431	-	-	-	-	-	-
-	-	-	34,243	10,779	-	-	-
-	-	-	-	-	-	-	103,554
-	-	-	-	-	10,545	-	-
-	-	-	-	-	-	1,053,401	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,328,607</u>	<u>97,431</u>	<u>356,369</u>	<u>34,243</u>	<u>10,779</u>	<u>10,545</u>	<u>1,053,401</u>	<u>103,554</u>
-	-	-	-	-	-	-	53,069
-	-	-	-	-	-	-	-
1,236,728	-	-	-	-	-	-	-
-	-	-	-	-	-	974,524	-
-	25,045	-	-	-	11,185	-	-
-	-	-	-	27,500	-	-	-
-	-	-	-	-	-	-	-
144,736	-	-	-	-	-	-	19,413
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,381,464</u>	<u>25,045</u>	<u>-</u>	<u>-</u>	<u>27,500</u>	<u>11,185</u>	<u>974,524</u>	<u>72,482</u>
<u>(52,857)</u>	<u>72,386</u>	<u>356,369</u>	<u>34,243</u>	<u>(16,721)</u>	<u>(640)</u>	<u>78,877</u>	<u>31,072</u>
-	-	-	-	-	-	-	-
-	-	(370,000)	-	-	-	-	-
-	-	(370,000)	-	-	-	-	-
(52,857)	72,386	(13,631)	34,243	(16,721)	(640)	78,877	31,072
<u>55,102</u>	<u>276,938</u>	<u>59,231</u>	<u>243,868</u>	<u>102,133</u>	<u>54,434</u>	<u>255,452</u>	<u>95,718</u>
<u>\$ 2,245</u>	<u>\$ 349,324</u>	<u>\$ 45,600</u>	<u>\$ 278,111</u>	<u>\$ 85,412</u>	<u>\$ 53,794</u>	<u>\$ 334,329</u>	<u>\$ 126,790</u>

CITY OF MENTOR, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2003

	Enforcement and Education	Court Probation Services	Indigent Driver Alcohol Treatment	Law Enforcement Trust	Police Canine
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-	-
Intergovernmental	-	-	10,838	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	5,093	44,590	3,856	1,275	-
Licenses, permits, and inspections	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	-	-	-	-
Donations and other	-	-	-	-	21,213
Total revenues	<u>5,093</u>	<u>44,590</u>	<u>14,694</u>	<u>1,275</u>	<u>21,213</u>
EXPENDITURES:					
Current:					
General government	-	33,235	26,351	-	-
Police	1,925	-	-	15,901	13,648
Fire	-	-	-	-	-
Streets and highways	-	-	-	-	-
Parks, recreations and public lands	-	-	-	-	-
Community development	-	-	-	-	-
Engineering and building	-	-	-	-	-
Capital outlay	-	-	-	-	3,900
Debt service:					
Principal retirement	-	-	-	-	-
Interest and other expenditures	-	-	-	-	-
Total expenditures	<u>1,925</u>	<u>33,235</u>	<u>26,351</u>	<u>15,901</u>	<u>17,548</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,168</u>	<u>11,355</u>	<u>(11,657)</u>	<u>(14,626)</u>	<u>3,665</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,168	11,355	(11,657)	(14,626)	3,665
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR (As Restated - see Note 2)	<u>13,185</u>	<u>15,745</u>	<u>38,621</u>	<u>46,955</u>	<u>106,591</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 16,353</u>	<u>\$ 27,100</u>	<u>\$ 26,964</u>	<u>\$ 32,329</u>	<u>\$ 110,256</u>

Special Revenue Funds

Seat Belt Grant	VOCA Victims Assistance Grant 02-03	VOCA Victims Assistance Grant 03-04	Community Development Block Grant 97-98	Community Development Block Grant 98-99	Community Development Block Grant 99-00	Community Development Block Grant 00-01	Community Development Block Grant 01-02
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
1,398	2,250	3,000	-	3,251	34,772	10,241	47,754
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	9,643	3,275	-
<u>1,398</u>	<u>2,250</u>	<u>3,000</u>	<u>-</u>	<u>3,251</u>	<u>44,415</u>	<u>13,516</u>	<u>47,754</u>
-	-	-	-	-	-	-	-
1,066	2,737	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,251	36,869	10,926	36,152
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	11,602
-	-	-	-	-	-	-	-
<u>1,066</u>	<u>2,737</u>	<u>-</u>	<u>-</u>	<u>3,251</u>	<u>36,869</u>	<u>10,926</u>	<u>47,754</u>
<u>332</u>	<u>(487)</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>7,546</u>	<u>2,590</u>	<u>-</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
332	(487)	3,000	-	-	7,546	2,590	-
<u>7,725</u>	<u>487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 8,057</u>	<u>\$ -</u>	<u>3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7,546</u>	<u>2,590</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2003

	Community Development Block Grant 02-03	Community Development Block Grant 03-04	Forfeited Property - U.S. Department of Justice	Council Donation
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	-	-
Intergovernmental	225,265	-	23,560	-
Charges for services	-	-	-	575
Fines and forfeitures	-	-	-	-
Licenses, permits, and inspections	-	-	-	-
Special assessments	-	-	-	-
Investment income	-	-	18,259	-
Donations and other	-	-	-	-
Total revenues	<u>225,265</u>	<u>-</u>	<u>41,819</u>	<u>575</u>
EXPENDITURES:				
Current:				
General government	-	-	-	732
Police	-	-	135,851	-
Fire	-	-	-	-
Streets and highways	-	-	-	-
Parks, recreations and public lands	-	-	-	-
Community development	49,722	6,566	-	-
Engineering and building	-	-	-	-
Capital outlay	168,772	-	331,978	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other expenditures	-	-	-	-
Total expenditures	<u>218,494</u>	<u>6,566</u>	<u>467,829</u>	<u>732</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,771</u>	<u>(6,566)</u>	<u>(426,010)</u>	<u>(157)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	17,348	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources and uses	<u>17,348</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	24,119	(6,566)	(426,010)	(157)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR				
(As Restated - see Note 2)	<u>(6,770)</u>	<u>-</u>	<u>586,636</u>	<u>430</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 17,349</u>	<u>\$ (6,566)</u>	<u>\$ 160,626</u>	<u>\$ 273</u>

Special Revenue Funds						Total Special Revenue Funds	Debt Service Fund
Police Donation	Fire Donation	Senior Citizens Donation	Cultural Donation	Beautification Donation	IBIM Festival		General Obligation Bond Retirement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,941,861	\$ 1,634,250
-	-	-	-	-	-	732,210	-
-	-	-	-	-	-	2,242,899	206,141
-	-	2,402	-	-	60,964	108,963	-
-	-	-	-	-	-	261,859	-
-	-	-	-	-	-	10,545	-
-	-	-	-	-	-	1,053,401	-
-	-	-	-	-	-	77,871	-
<u>1,750</u>	<u>2,805</u>	<u>-</u>	<u>19,460</u>	<u>5,489</u>	<u>-</u>	<u>63,635</u>	<u>-</u>
<u>1,750</u>	<u>2,805</u>	<u>2,402</u>	<u>19,460</u>	<u>5,489</u>	<u>60,964</u>	<u>6,493,244</u>	<u>1,840,391</u>
-	-	-	-	-	-	132,669	-
43	-	-	-	-	-	594,943	-
-	1,306	-	-	-	-	1,661,806	-
-	-	-	-	-	-	1,587,074	-
-	-	1,217	19,937	4,445	60,964	122,793	-
-	-	-	-	-	-	170,986	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,091,466	-
-	-	-	-	-	-	-	1,174,191
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,084,413</u>
<u>43</u>	<u>1,306</u>	<u>1,217</u>	<u>19,937</u>	<u>4,445</u>	<u>60,964</u>	<u>5,361,737</u>	<u>2,258,604</u>
<u>1,707</u>	<u>1,499</u>	<u>1,185</u>	<u>(477)</u>	<u>1,044</u>	<u>-</u>	<u>1,131,507</u>	<u>(418,213)</u>
-	-	-	-	-	-	17,348	370,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(482,833)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(465,485)</u>	<u>370,000</u>
1,707	1,499	1,185	(477)	1,044	-	666,022	(48,213)
<u>2,295</u>	<u>2,106</u>	<u>11,086</u>	<u>75,996</u>	<u>132</u>	<u>-</u>	<u>2,884,445</u>	<u>222,000</u>
<u>\$ 4,002</u>	<u>\$ 3,605</u>	<u>\$ 12,271</u>	<u>\$ 75,519</u>	<u>\$ 1,176</u>	<u>\$ -</u>	<u>\$ 3,550,467</u>	<u>\$ 173,787</u>

CITY OF MENTOR, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

	Capital Project Funds				Total Capital Project Funds	Total All Nonmajor Funds
	Garfield Road Improvements	Chillicothe Road Widening & Resurfacing - Phase 1	Headlands Road/Bridge Improvements	Chillicothe Road Widening & Resurfacing - Phase 2		
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,576,111
Other local taxes	-	-	-	-	-	732,210
Intergovernmental	56,204	111,194	360,885	-	528,283	2,977,323
Charges for services	-	-	-	-	-	108,963
Fines and forfeitures	-	-	-	-	-	261,859
Licenses, permits, and inspections	-	-	-	-	-	10,545
Special assessments	-	-	-	-	-	1,053,401
Investment income	-	-	-	-	-	77,871
Donations and other	-	-	-	-	-	63,635
Total revenues	<u>56,204</u>	<u>111,194</u>	<u>360,885</u>	<u>-</u>	<u>528,283</u>	<u>8,861,918</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	132,669
Police	-	-	-	-	-	594,943
Fire	-	-	-	-	-	1,661,806
Streets and highways	-	-	848,352	-	848,352	2,435,426
Parks, recreations and public lands	-	-	-	-	-	122,793
Community development	-	-	-	-	-	170,986
Engineering and building	-	-	40,395	-	40,395	40,395
Capital outlay	347,651	18,241	-	-	365,892	1,457,358
Debt service:						
Principal retirement	-	-	-	-	-	1,174,191
Interest and other expenditures	-	-	-	-	-	1,084,413
Total expenditures	<u>347,651</u>	<u>18,241</u>	<u>888,747</u>	<u>-</u>	<u>1,254,639</u>	<u>8,874,980</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	<u>(291,447)</u>	<u>92,953</u>	<u>(527,862)</u>	<u>-</u>	<u>(726,356)</u>	<u>(13,062)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	6,472	-	96,421	9,940	112,833	500,181
Operating transfers out	-	-	-	-	-	(482,833)
Total other financing sources and uses	<u>6,472</u>	<u>-</u>	<u>96,421</u>	<u>9,940</u>	<u>112,833</u>	<u>17,348</u>
NET CHANGE IN FUND BALANCES	(284,975)	92,953	(431,441)	9,940	(613,523)	4,286
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR (As Restated - see Note 2)						
	<u>122,594</u>	<u>(18,223)</u>	<u>156,329</u>	<u>-</u>	<u>260,700</u>	<u>3,367,145</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (162,381)	\$ 74,730	\$ (275,112)	\$ 9,940	\$ (352,823)	\$ 3,371,431

CITY OF MENTOR, OHIO

STREET FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Other local taxes	\$ 375,000	\$ 381,749	\$ 6,749
Intergovernmental	1,415,000	1,560,102	145,102
Investment income	<u>50,000</u>	<u>59,612</u>	<u>9,612</u>
Total revenues	<u>1,840,000</u>	<u>2,001,463</u>	<u>161,463</u>
EXPENDITURES:			
Streets and highways	<u>1,912,586</u>	<u>1,603,320</u>	<u>309,266</u>
Excess (deficiency) of revenues over expenditures	(72,586)	398,143	470,729
OTHER FINANCING USES:			
Operating transfers out	<u>(254,000)</u>	<u>(112,833)</u>	<u>141,167</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(326,586)	285,310	611,896
Adjustment for prior year encumbrances	272,558	272,558	-
FUND BALANCES, BEGINNING OF YEAR	<u>328,948</u>	<u>328,948</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 274,920</u>	<u>\$ 886,816</u>	<u>\$ 611,896</u>

CITY OF MENTOR, OHIO

POLICE PENSION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 377,145	\$ 377,145	\$ -
Intergovernmental	<u>46,626</u>	<u>46,626</u>	<u>-</u>
Total revenues	<u>423,771</u>	<u>423,771</u>	<u>-</u>
EXPENDITURES:			
Police	<u>423,771</u>	<u>423,771</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF MENTOR, OHIO

FIRE PENSION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 377,145	\$ 377,145	\$ -
Intergovernmental	<u>46,626</u>	<u>46,626</u>	<u>-</u>
Total revenues	<u>423,771</u>	<u>423,771</u>	<u>-</u>
EXPENDITURES:			
Fire	<u>423,771</u>	<u>423,771</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

FIRE LEVY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

(NON-GAAP BUDGETARY BASIS)

YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 1,200,300	\$ 1,187,569	\$ (12,731)
Intergovernmental	<u>144,100</u>	<u>141,038</u>	<u>(3,062)</u>
Total revenues	<u>1,344,400</u>	<u>1,328,607</u>	<u>(15,793)</u>
EXPENDITURES:			
Fire:			
Employee compensation	1,224,000	1,224,000	-
Other	<u>159,700</u>	<u>157,464</u>	<u>2,236</u>
Total expenditures	<u>1,383,700</u>	<u>1,381,464</u>	<u>2,236</u>
Excess (deficiency) of revenues over expenditures	(39,300)	(52,857)	(13,557)
FUND BALANCES, BEGINNING OF YEAR	<u>55,102</u>	<u>55,102</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 15,802</u>	<u>\$ 2,245</u>	<u>\$ (13,557)</u>

CITY OF MENTOR, OHIO

**SENIOR CITIZENS SERVICES LEVY FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 80,000	\$ 97,431	\$ 17,431
EXPENDITURES:			
Parks, recreation and public lands	<u>339,069</u>	<u>26,757</u>	<u>312,312</u>
Excess (deficiency) of revenues over expenditures	(259,069)	70,674	329,743
Adjustment for prior year encumbrances	800	800	-
FUND BALANCES, BEGINNING OF YEAR	<u>276,137</u>	<u>276,137</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 17,868</u>	<u>\$ 347,611</u>	<u>\$ 329,743</u>

CITY OF MENTOR, OHIO

COMMUNITY RECREATION FACILITIES FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Other local taxes	\$ 348,000	\$ 384,830	\$ 36,830
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over expenditures	348,000	384,830	36,830
OTHER FINANCING USES:			
Operating transfers out	(370,000)	(370,000)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(22,000)	14,830	36,830
FUND BALANCES, BEGINNING OF YEAR	30,770	30,770	-
FUND BALANCES, END OF YEAR	<u>\$ 8,770</u>	<u>\$ 45,600</u>	<u>\$ 36,830</u>

CITY OF MENTOR, OHIO

CEMETERY FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

(NON-GAAP BUDGETARY BASIS)

YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Charges for services	\$ 30,000	\$ 34,243	\$ 4,243
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over expenditures	30,000	34,243	4,243
FUND BALANCES, BEGINNING OF YEAR	<u>243,868</u>	<u>243,868</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 273,868</u>	<u>\$ 278,111</u>	<u>\$ 4,243</u>

CITY OF MENTOR, OHIO

ECONOMIC DEVELOPMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Charges for services	\$ 8,000	\$ 10,779	\$ 2,779
EXPENDITURES:			
Community development	<u>50,000</u>	<u>27,500</u>	<u>22,500</u>
Excess (deficiency) of revenues over expenditures	(42,000)	(16,721)	25,279
FUND BALANCES, BEGINNING OF YEAR	<u>102,133</u>	<u>102,133</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 60,133</u>	<u>\$ 85,412</u>	<u>\$ 25,279</u>

CITY OF MENTOR, OHIO

SUBDIVISION STREET TREE FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Licenses, permits, and inspections	\$ 10,000	\$ 10,545	\$ 545
EXPENDITURES:			
Parks, recreation and public lands	<u>60,850</u>	<u>11,840</u>	<u>49,010</u>
Excess (deficiency) of revenues over expenditures	(50,850)	(1,295)	49,555
Adjustment for prior year encumbrances	850	850	-
FUND BALANCES, BEGINNING OF YEAR	<u>53,584</u>	<u>53,584</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,584</u>	<u>\$ 53,139</u>	<u>\$ 49,555</u>

CITY OF MENTOR, OHIO

STREET LIGHTING FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Special assessments	<u>\$ 1,024,000</u>	<u>\$ 1,053,401</u>	<u>\$ 29,401</u>
EXPENDITURES:			
Streets and highways	<u>1,011,578</u>	<u>974,524</u>	<u>37,054</u>
Excess (deficiency) of revenues over expenditures	12,422	78,877	66,455
FUND BALANCES, BEGINNING OF YEAR	<u>255,452</u>	<u>255,452</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 267,874</u>	<u>\$ 334,329</u>	<u>\$ 66,455</u>

CITY OF MENTOR, OHIO

COURT COMPUTER FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	\$ 60,000	\$ 103,726	\$ 43,726
EXPENDITURES:			
General government	<u>132,970</u>	<u>72,483</u>	<u>60,487</u>
Excess (deficiency) of revenues over expenditures	(72,970)	31,243	104,213
Adjustment for prior year encumbrances	12,971	12,971	-
FUND BALANCES, BEGINNING OF YEAR	<u>73,935</u>	<u>73,935</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 13,936</u>	<u>\$ 118,149</u>	<u>\$ 104,213</u>

CITY OF MENTOR, OHIO

COURT SPECIAL PROJECTS FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	\$ 96,000	\$ 103,669	\$ 7,669
EXPENDITURES:			
General government	<u>110,000</u>	<u>23,094</u>	<u>86,906</u>
Excess (deficiency) of revenues over expenditures	(14,000)	80,575	94,575
FUND BALANCES, BEGINNING OF YEAR	<u>36,453</u>	<u>36,453</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 22,453</u>	<u>\$ 117,028</u>	<u>\$ 94,575</u>

CITY OF MENTOR, OHIO

ENFORCEMENT AND EDUCATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	\$ 5,000	\$ 4,792	\$ (208)
EXPENDITURES:			
Police	<u>16,000</u>	<u>1,925</u>	<u>14,075</u>
Excess (deficiency) of revenues over expenditures	(11,000)	2,867	13,867
FUND BALANCES, BEGINNING OF YEAR	<u>12,888</u>	<u>12,888</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,888</u>	<u>\$ 15,755</u>	<u>\$ 13,867</u>

CITY OF MENTOR, OHIO

COURT PROBATION SERVICES FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	\$ 36,000	\$ 43,194	\$ 7,194
EXPENDITURES:			
General government	<u>39,000</u>	<u>33,237</u>	<u>5,763</u>
Excess (deficiency) of revenues over expenditures	(3,000)	9,957	12,957
FUND BALANCES, BEGINNING OF YEAR	<u>12,609</u>	<u>12,609</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 9,609</u>	<u>\$ 22,566</u>	<u>\$ 12,957</u>

CITY OF MENTOR, OHIO

INDIGENT DRIVER ALCOHOL TREATMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 10,000	\$ 10,838	\$ 838
Fines and forfeitures	<u>5,000</u>	<u>3,755</u>	<u>(1,245)</u>
Total revenues	<u>15,000</u>	<u>14,593</u>	<u>(407)</u>
EXPENDITURES:			
General government	<u>50,000</u>	<u>26,350</u>	<u>23,650</u>
Excess (deficiency) of revenues over expenditures	(35,000)	(11,757)	23,243
FUND BALANCES, BEGINNING OF YEAR	<u>38,246</u>	<u>38,246</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,246</u>	<u>\$ 26,489</u>	<u>\$ 23,243</u>

CITY OF MENTOR, OHIO

LAW ENFORCEMENT TRUST FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Fines and forfeitures	\$ 1,000	\$ 9,809	\$ 8,809
EXPENDITURES:			
Police	<u>33,000</u>	<u>15,901</u>	<u>17,099</u>
Excess (deficiency) of revenues over expenditures	(32,000)	(6,092)	25,908
FUND BALANCES, BEGINNING OF YEAR	<u>38,421</u>	<u>38,421</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,421</u>	<u>\$ 32,329</u>	<u>\$ 25,908</u>

CITY OF MENTOR, OHIO

POLICE CANINE FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Bequests	<u>\$ -</u>	<u>\$ 21,213</u>	<u>\$ 21,213</u>
EXPENDITURES:			
Police	<u>100,000</u>	<u>17,548</u>	<u>82,452</u>
Excess (deficiency) of revenues over expenditures	(100,000)	3,665	103,665
FUND BALANCES, BEGINNING OF YEAR	<u>106,591</u>	<u>106,591</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,591</u>	<u>\$ 110,256</u>	<u>\$ 103,665</u>

CITY OF MENTOR, OHIO

SEAT BELT GRANT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 1,500	\$ 1,398	\$ (102)
EXPENDITURES:			
Police	<u>6,000</u>	<u>1,065</u>	<u>4,935</u>
Excess (deficiency) of revenues over expenditures	(4,500)	333	4,833
FUND BALANCES, BEGINNING OF YEAR	<u>7,725</u>	<u>7,725</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,225</u>	<u>\$ 8,058</u>	<u>\$ 4,833</u>

CITY OF MENTOR, OHIO

VOCA VICTIMS ASSISTANCE GRANT 02-03 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES	\$ 2,251	\$ 2,251	\$ -
EXPENDITURES:			
Police	<u>2,738</u>	<u>2,738</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(487)	(487)	-
FUND BALANCES, BEGINNING OF YEAR	<u>487</u>	<u>487</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

VOCA VICTIMS ASSISTANCE GRANT 03-04 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ -	\$ 3,000	\$ 3,000
EXPENDITURES	-	-	-
Excess (deficiency) of revenues over expenditures	-	3,000	3,000
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 97-98 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	<u>\$ 5,132</u>	<u>\$ 5,132</u>	<u>\$ -</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>5,132</u>	<u>5,132</u>	<u>-</u>
OTHER FINANCING SOURCES:			
Advances out	<u>(5,132)</u>	<u>(5,132)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 98-99 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 32,674	\$ 5,039	\$ (27,635)
EXPENDITURES:			
Community development	3,450	3,450	-
Excess (deficiency) of revenues over expenditures	<u>29,224</u>	<u>1,589</u>	<u>(27,635)</u>
OTHER FINANCING SOURCES (USES):			
Advances in	199	199	-
Advances out	<u>(1,788)</u>	<u>(1,788)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,589)</u>	<u>(1,589)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	27,635	-	(27,635)
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 27,635</u>	<u>\$ -</u>	<u>\$ (27,635)</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 99-00 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 79,695	\$ 46,902	\$ (32,793)
EXPENDITURES:			
Community development	46,339	46,339	-
Excess (deficiency) of revenues over expenditures	33,356	563	(32,793)
OTHER FINANCING SOURCES (USES):			
Advances in	1,924	1,924	-
Advances out	(11,557)	(11,557)	-
Total other financing sources (uses)	(9,633)	(9,633)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	23,723	(9,070)	(32,793)
Adjustment for prior year encumbrances	9,070	9,070	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ 32,793</u>	<u>\$ -</u>	<u>\$ (32,793)</u>

CITY OF MENTOR, OHIO

**COMMUNITY DEVELOPMENT BLOCK GRANT 00-01 FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 32,834	\$ 18,857	\$ (13,977)
EXPENDITURES:			
Community development	<u>16,287</u>	<u>16,287</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>16,547</u>	<u>2,570</u>	<u>(13,977)</u>
OTHER FINANCING SOURCES:			
Advances in	2,771	2,771	-
Advances out	<u>(15,209)</u>	<u>(15,209)</u>	<u>-</u>
Total other financing sources (uses)	<u>(12,438)</u>	<u>(12,438)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,109	(9,868)	(13,977)
Adjustment for prior year encumbrances	9,868	9,868	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 13,977</u>	<u>\$ -</u>	<u>\$ (13,977)</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 01-02 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 184,075	\$ 59,264	\$ (124,811)
EXPENDITURES:			
Community development	<u>52,648</u>	<u>52,648</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>131,427</u>	<u>6,616</u>	<u>(124,811)</u>
OTHER FINANCING SOURCES (USES):			
Advances in	9,125	9,125	-
Advances out	<u>(17,341)</u>	<u>(17,341)</u>	<u>-</u>
Total other financing sources (uses)	<u>(8,216)</u>	<u>(8,216)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	123,211	(1,600)	(124,811)
Adjustment for prior year encumbrances	1,600	1,600	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 124,811</u>	<u>\$ -</u>	<u>\$ (124,811)</u>

CITY OF MENTOR, OHIO

COMMUNITY DEVELOPMENT BLOCK GRANT 02-03 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2002

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES	\$ 240,000	\$ 214,687	\$ (25,313)
EXPENDITURES:			
Community development	<u>225,265</u>	<u>225,265</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	14,735	(10,578)	(25,313)
OTHER FINANCING SOURCES (USES):			
Transfers in	<u>17,348</u>	<u>17,348</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	32,083	6,770	(25,313)
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 32,083</u>	<u>\$ 6,770</u>	<u>\$ (25,313)</u>

CITY OF MENTOR, OHIO

**COMMUNITY DEVELOPMENT BLOCK GRANT 03-04 FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2002**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES:	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

FORFEITED PROPERTY - U.S. DEPARTMENT OF JUSTICE FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 23,560	\$ 23,560	\$ -
Investment income	<u>18,259</u>	<u>18,259</u>	<u>-</u>
Total revenues	<u>41,819</u>	<u>41,819</u>	<u>-</u>
EXPENDITURES:			
Police	<u>626,456</u>	<u>626,456</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(584,637)	(584,637)	-
Adjustment for prior year encumbrances	253,349	253,349	-
FUND BALANCES, BEGINNING OF YEAR	<u>333,286</u>	<u>333,286</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,998</u>	<u>\$ 1,998</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

COUNCIL DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 575	\$ 575	\$ -
EXPENDITURES:			
General government	931	732	199
Excess (deficiency) of revenues over expenditures	(356)	(157)	199
FUND BALANCES, BEGINNING OF YEAR	430	430	-
FUND BALANCES, END OF YEAR	<u>\$ 74</u>	<u>\$ 273</u>	<u>\$ 199</u>

CITY OF MENTOR, OHIO

POLICE DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	<u>\$ 250</u>	<u>\$ 1,750</u>	<u>\$ 1,500</u>
EXPENDITURES:			
Police	<u>1,900</u>	<u>43</u>	<u>1,857</u>
Excess (deficiency) of revenues over expenditures	(1,650)	1,707	3,357
FUND BALANCES, BEGINNING OF YEAR	<u>2,295</u>	<u>2,295</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 645</u></u>	<u><u>\$ 4,002</u></u>	<u><u>\$ 3,357</u></u>

CITY OF MENTOR, OHIO

FIRE DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	<u>\$ 1,000</u>	<u>\$ 2,805</u>	<u>\$ 1,805</u>
EXPENDITURES:			
Fire	<u>2,100</u>	<u>1,306</u>	<u>794</u>
Excess (deficiency) of revenues over expenditures	(1,100)	1,499	2,599
FUND BALANCES, BEGINNING OF YEAR	<u>2,106</u>	<u>2,106</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 1,006</u></u>	<u><u>\$ 3,605</u></u>	<u><u>\$ 2,599</u></u>

CITY OF MENTOR, OHIO

SENIOR CITIZENS DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 2,200	\$ 2,402	\$ 202
EXPENDITURES:			
Parks, recreation and public lands	<u>11,400</u>	<u>1,407</u>	<u>9,993</u>
Excess (deficiency) of revenues over expenditures	(9,200)	995	10,195
FUND BALANCES, BEGINNING OF YEAR	<u>11,086</u>	<u>11,086</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,886</u>	<u>\$ 12,081</u>	<u>\$ 10,195</u>

CITY OF MENTOR, OHIO

CULTURAL DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	<u>\$ 19,000</u>	<u>\$ 19,461</u>	<u>\$ 461</u>
EXPENDITURES:			
Parks, recreation and public lands	<u>70,000</u>	<u>19,937</u>	<u>50,063</u>
Excess (deficiency) of revenues over expenditures	(51,000)	(476)	50,524
FUND BALANCES, BEGINNING OF YEAR	<u>75,996</u>	<u>75,996</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 24,996</u>	<u>\$ 75,520</u>	<u>\$ 50,524</u>

CITY OF MENTOR, OHIO

BEAUTIFICATION DONATION FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 5,489	\$ 5,489	\$ -
EXPENDITURES:			
Parks, recreation and public lands	4,445	4,445	-
Excess (deficiency) of revenues over expenditures	1,044	1,044	-
FUND BALANCES, BEGINNING OF YEAR	132	132	-
FUND BALANCES, END OF YEAR	<u>\$ 1,176</u>	<u>\$ 1,176</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

IBIM FESTIVAL FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Donations and other	\$ 60,964	\$ 60,964	\$ -
EXPENDITURES:			
Parks, recreation and public lands	<u>60,964</u>	<u>60,964</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MENTOR, OHIO

GENERAL OBLIGATION BOND RETIREMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	Final Budget	Actual	Variance - Positive (Negative)
REVENUES:			
Property taxes	\$1,638,400	\$1,634,250	\$ (4,150)
Intergovernmental	<u>208,400</u>	<u>206,141</u>	<u>(2,259)</u>
Total revenues	<u>1,846,800</u>	<u>1,840,391</u>	<u>(6,409)</u>
EXPENDITURES:			
Debt service:			
Principal retirement	1,174,192	1,174,192	-
Interest and other charges	<u>1,096,838</u>	<u>1,084,412</u>	<u>12,426</u>
Total expenditures	<u>2,271,030</u>	<u>2,258,604</u>	<u>12,426</u>
Excess (deficiency) of revenues over expenditures	(424,230)	(418,213)	6,017
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>370,000</u>	<u>370,000</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(54,230)	(48,213)	6,017
FUND BALANCES, BEGINNING OF YEAR	<u>222,000</u>	<u>222,000</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 167,770</u>	<u>\$ 173,787</u>	<u>\$ 6,017</u>

CITY OF MENTOR, OHIO

SPECIAL ASSESSMENT BOND RETIREMENT FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Special assessments	\$ <u>1,267,767</u>	\$ <u>1,283,958</u>	\$ <u>16,191</u>
Total revenues	<u>1,267,767</u>	<u>1,283,958</u>	<u>16,191</u>
EXPENDITURES:			
Debt service:			
Principal retirement	745,809	745,809	-
Interest and other charges	<u>648,016</u>	<u>635,123</u>	<u>12,893</u>
Total expenditures	<u>1,393,825</u>	<u>1,380,932</u>	<u>12,893</u>
Excess (deficiency) of revenues over expenditures	(126,058)	(96,974)	29,084
FUND BALANCES, BEGINNING OF YEAR	<u>316,193</u>	<u>316,193</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 190,135</u>	<u>\$ 219,219</u>	<u>\$ 29,084</u>

CITY OF MENTOR, OHIO

**GARFIELD ROAD IMPROVEMENTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 56,204	\$ 56,204	\$ -
EXPENDITURES:			
Capital projects	347,651	347,651	-
Excess (deficiency) of revenues over expenditures	(291,447)	(291,447)	-
OTHER FINANCING SOURCES (USES):			
Operating transfers in	6,472	6,472	-
Advances in	162,381	162,381	-
Advances out	(225,057)	(225,057)	-
Total other financing sources (uses)	(56,204)	(56,204)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(347,651)	(347,651)	-
Adjustment for prior year encumbrances	347,651	347,651	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -

CITY OF MENTOR, OHIO

CHILlicoTHE ROAD WIDENING & RESURFACING- PHASE 1 FUND SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) YEAR ENDED DECEMBER 31, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 199,141	\$ 111,195	\$ (87,946)
EXPENDITURES:			
Capital projects	62,250	48,250	14,000
Excess (deficiency) of revenues over expenditures	136,891	62,945	(73,946)
OTHER FINANCING SOURCES (USES):			
Advances out	(148,584)	(148,584)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(11,693)	(85,639)	(73,946)
Adjustment for prior year encumbrances	143,683	143,683	-
FUND BALANCES, BEGINNING OF YEAR	9,730	9,730	-
FUND BALANCES, END OF YEAR	\$ 141,720	\$ 67,774	\$ (73,946)

CITY OF MENTOR, OHIO

**HEADLANDS ROAD/BRIDGE IMPROVEMENT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 YEAR ENDED DECEMBER 31, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 360,885	\$ 360,885	\$ -
EXPENDITURES:			
Capital projects	888,746	888,746	-
Excess (deficiency) of revenues over expenditures	(527,861)	(527,861)	-
OTHER FINANCING SOURCES (USES):			
Operating transfers in	96,421	96,421	-
Advances in	275,111	275,111	-
Advances out	(634,804)	(634,804)	-
Total other financing sources (uses)	(263,272)	(263,272)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(791,133)	(791,133)	-
Adjustment for prior year encumbrances	791,133	791,133	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -

CITY OF MENTOR, OHIO

**CHILlicoTHE ROAD WIDENING & RESURFACING - PHASE 2 FUND
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 YEAR ENDED DECEMBER 31, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES:			
Capital projects	<u>9,940</u>	<u>9,940</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(9,940)</u>	<u>(9,940)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Advances in	<u>9,940</u>	<u>9,940</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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STATISTICAL SECTION

CITY OF MENTOR, OHIO

GENERAL FUND REVENUES (MODIFIED ACCRUAL BASIS) LAST TEN FISCAL YEARS

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
REVENUES:				
Property taxes	\$ 1,595,982	\$ 1,803,198	\$ 2,009,571	\$ 1,777,227
Municipal income taxes	17,078,931	20,268,977	21,987,461	22,879,334
Intergovernmental	3,745,078	3,959,279	4,529,209	4,761,421
Charges for services	495,388	545,289	564,262	879,499
Fines and forfeitures	712,481	817,803	805,026	822,198
Licenses, permits, and inspections	891,861	981,880	1,203,748	1,130,325
Investment income	446,121	987,544	1,112,990	1,384,954
Donations and other	<u>208,008</u>	<u>189,769</u>	<u>142,314</u>	<u>407,393</u>
TOTAL REVENUES	<u>\$ 25,173,850</u>	<u>\$ 29,553,739</u>	<u>\$ 32,354,581</u>	<u>\$ 34,042,351</u>

SOURCE: The City's audited financial statements.

<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
\$ 1,116,206	\$ 725,101	\$ 893,989	\$ 1,341,641	\$ 1,363,402	\$ 1,386,305
23,678,549	25,482,261	26,698,790	26,595,125	26,686,076	26,435,708
4,525,145	5,426,358	5,069,191	6,494,213	6,748,080	10,065,245
1,139,978	2,419,661	2,460,546	2,609,281	2,699,889	2,726,280
1,052,445	1,115,370	959,918	1,005,235	1,142,857	1,195,376
1,224,835	1,254,640	1,078,703	1,141,955	1,079,367	1,099,716
1,544,525	797,163	1,994,386	2,013,886	1,466,870	680,325
<u>783,266</u>	<u>233,226</u>	<u>228,782</u>	<u>528,473</u>	<u>186,251</u>	<u>699,689</u>
<u>\$ 35,064,949</u>	<u>\$ 37,453,780</u>	<u>\$ 39,384,305</u>	<u>\$ 41,729,809</u>	<u>\$ 41,372,792</u>	<u>\$ 44,288,644</u>

CITY OF MENTOR, OHIO

GENERAL FUND EXPENDITURES (MODIFIED ACCRUAL BASIS) LAST TEN FISCAL YEARS

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
EXPENDITURES:				
General government	\$ 3,692,686	\$ 4,015,374	\$ 4,652,006	\$ 5,653,773
Security of persons and property	9,782,637	10,388,613	10,386,846	11,912,303
Police	-	-	-	-
Fire	-	-	-	-
Streets and highways	4,400,194	5,156,436	6,048,316	5,605,355
Public health and welfare	530,060	528,389	580,960	635,431
Parks, recreation and public lands	2,353,034	2,942,670	3,191,377	3,907,537
Community development	631,410	726,646	727,056	744,314
Engineering and building	1,922,058	2,080,214	2,324,131	2,612,744
Capital outlay	-	-	-	-
Debt Service - principal retirement	-	-	-	-
TOTAL EXPENDITURES	<u>\$23,312,079</u>	<u>\$25,838,342</u>	<u>\$27,910,692</u>	<u>\$31,071,457</u>

¹The City changed the classification of expenditures so that General Fund police and fire expenditures are shown separately in 2000. Previously these expenditures were classified together as security of persons and property.

SOURCE: The City's audited financial statements.

<u>1998</u>	<u>1999</u>	<u>2000¹</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
\$ 5,544,266	\$ 5,518,315	\$ 5,757,072	\$ 6,056,376	\$ 6,523,127	\$ 7,254,548
12,879,996	12,603,249	-	-	-	-
-	-	7,373,121	7,837,997	8,414,230	8,904,309
-	-	5,790,790	6,141,090	6,484,760	6,922,959
8,530,944	5,689,159	5,336,046	6,461,918	5,795,672	6,765,589
652,353	-	-	-	-	-
7,281,462	5,228,690	5,635,932	6,141,941	6,369,788	5,893,284
787,661	811,413	855,607	918,463	965,387	1,046,266
3,150,419	1,680,656	1,700,348	1,916,517	1,920,058	1,766,664
-	4,033,695	3,585,057	5,990,773	5,661,195	8,744,368
-	-	-	10,000	10,000	10,000
<u>\$38,827,101</u>	<u>\$35,565,177</u>	<u>\$36,033,973</u>	<u>\$41,475,075</u>	<u>\$42,144,217</u>	<u>\$47,307,987</u>

CITY OF MENTOR, OHIO

PROPERTY TAX LEVIES AND COLLECTIONS - REAL AND PUBLIC UTILITY¹ LAST TEN FISCAL YEARS

Tax Year/ Collection Year	Current Levy	Current Collections	Current Levy Collected	Accumulated Delinquent Taxes	Collections Including Delinquencies	Total Collections as Percent of Current Levy
1993/1994	\$ 3,667,031	\$ 3,598,491	98.1 %	\$ 81,099	\$ 3,705,957	101.1 %
1994/1995	3,901,810	3,827,738	98.1	51,409	3,892,506	99.8
1995/1996	3,979,176	3,924,433	98.6	41,294	4,038,822	101.5
1996/1997	4,073,145	4,040,170	99.2	51,779	4,090,227	100.4
1997/1998	4,486,018	4,394,516	98.0	90,817	4,444,559	99.1
1998/1999	4,154,785	4,070,505	98.0	61,816	4,134,128	99.5
1999/2000	4,214,185	4,136,392	98.2	66,378	4,231,557	100.4
2000/2001	4,634,608	4,522,876	97.6	111,732	4,601,515	99.3
2001/2002	4,678,297	4,545,230	97.2	147,110	4,647,946	99.4
2002/2003	4,723,775	4,610,929	97.6	107,612	4,785,800	101.3

¹ Table excludes tangible personal property tax.

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR, OHIO

SPECIAL ASSESSMENT COLLECTIONS¹ LAST TEN FISCAL YEARS

Collection Year	Current Assessments Due	Total Collections Including Delinquencies	Total Collections as Percent of Current Assessments	Cumulative Delinquencies ²
1994	\$ 1,679,633	\$ 1,639,637	97.6 %	\$ 151,822
1995	1,547,068	1,624,890	105.0	153,907
1996	1,535,489	1,483,010	96.6	222,763
1997	1,419,916	1,356,376	95.5	318,975
1998	1,312,813	1,395,224	106.3	234,609
1999	1,216,785	1,250,027	102.7	272,410
2000	1,154,819	1,122,990	97.2	155,769
2001	1,088,136	1,076,875	98.9	190,128
2002	951,990	933,375	98.0	219,136
2003	1,316,582	1,235,207	93.8	298,989

¹Table prepared for Special Assessment Bond Retirement Fund only.

Includes penalty.

²Reduction due to write off of Land Reutilization Program property delinquencies

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR, OHIO

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Tax Year/ Collection Year	Real Property		Personal Property Assessed Value ¹	Public Utilities Assessed Value ¹	Total Assessed Value
	Assessed Value ¹	Estimated Actual Value			
1993/1994	\$ 695,615,280	\$ 1,987,472,229	\$ 104,084,505	\$ 53,832,460	\$ 853,532,245
1994/1995	786,960,090	2,248,459,114	112,462,016	53,264,370	952,686,476
1995/1996	815,189,420	2,329,112,629	123,354,041	50,426,410	988,969,871
1996/1997	839,480,070	2,398,514,486	140,386,304	49,988,460	1,029,854,834
1997/1998	975,528,640	2,787,224,686	145,382,074	48,549,500	1,169,460,214
1998/1999	999,347,400	2,855,278,286	150,599,739	49,949,560	1,199,896,699
1999/2000	1,016,927,670	2,905,507,629	166,636,682	46,721,270	1,230,285,622
2000/2001	1,155,168,000	3,300,480,000	170,222,816	44,297,170	1,369,687,986
2001/2002	1,169,553,690	3,341,581,971	177,900,785	38,507,980	1,385,962,455
2002/2003	1,189,075,280	3,397,357,800	170,313,459	36,151,460	1,395,540,149

The current assessed valuation is computed at approximately the following percentages of estimated true value: real property - 35%, public utility personal property - 100%, 88%, or 25% and tangible personal property - 25%.

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR, OHIO

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS¹ LAST TEN FISCAL YEARS

Tax Year/ Collection Year	City of Mentor			Total	Mentor Exempted Village School District ²	Lake County	Total
	General Fund	Special Revenue Funds	Debt Service Funds				
1993/1994	\$ 2.65	\$ 2.10	\$ 1.40	\$ 6.15	\$ 63.74	\$ 13.90	\$ 83.79
1994/1995	2.75	2.10	1.25	6.10	63.45	14.00	83.55
1995/1996	2.85	2.10	1.10	6.05	63.45	14.00	83.50
1996/1997	2.60	2.10	1.35	6.05	67.95	14.00	88.00
1997/1998	1.90	2.10	2.00	6.00	67.71	14.10	87.81
1998/1999	0.60	2.10	1.80	4.50	67.84	15.60	87.94
1999/2000	0.80	2.10	1.60	4.50	67.50	15.70	87.70
2000/2001	1.10	2.10	1.30	4.50	67.47	15.70	87.67
2001/2002	1.10	2.10	1.30	4.50	67.42	15.70	87.62
2002/2003	1.10	2.10	1.30	4.50	67.40	15.70	87.60

¹Dollars of tax per \$1,000 of assessed valuation.
Includes Mentor Public Library

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR, OHIO

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUATION AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

Year	Population	Assessed Value	Gross General Bonded Debt	Less Balance in General Bond Retirement Fund	Net General Bonded Debt	Percentage of Net General Bonded Debt to Assessed Value	Net General Bonded Debt per Capita
1994	50,000	\$ 853,532,245	\$ 8,544,058	\$ 259,858	\$ 8,284,200	0.97 %	\$ 165.68
1995	50,058	952,686,476	7,820,840	353,310	7,467,530	0.78	149.18
1996	50,058	988,969,871	11,942,252	301,823	11,640,429	1.18	232.54
1997	50,251	1,029,854,834	24,768,449	123,351	24,645,098	2.39	490.44
1998	50,251	1,169,460,214	23,555,672	189,732	23,365,940	2.00	464.99
1999	51,126	1,199,896,699	22,563,664	428,953	22,134,711	1.84	432.94
2000	50,278	1,230,285,622	21,531,765	516,913	21,014,852	1.71	417.97
2001	50,278	1,369,687,986	20,455,634	320,040	20,135,594	1.47	400.49
2002	50,278	1,385,962,455	19,335,015	222,000	19,113,015	1.38	380.15
2003	50,278	1,395,540,149	18,160,824	173,787	17,987,037	1.29	357.75

SOURCES: Office of the Lake County Auditor
City of Mentor, Department of Community Development

CITY OF MENTOR, OHIO

COMPUTATION OF LEGAL DEBT MARGIN DECEMBER 31, 2003

Total of all City debt outstanding	\$ 27,620,000
Less special assessment debt exempt from calculation	<u>9,439,176</u>
Total (voted and unvoted) subject to 10.5% limitation	18,180,824
Less General Obligation Bond Retirement Fund balance	<u>173,787</u>
Net indebtedness subject to 10.5% limitation	<u>\$ 18,007,037</u>
Assessed valuation of City	<u>\$ 1,395,540,149</u>
10.5% of valuation (maximum general obligation debt allowed)	\$ 146,531,716
Less total debt outstanding subject to 10.5% limitation	<u>18,007,037</u>
Legal 10.5% margin (voted and unvoted)	<u>\$ 128,524,679</u>
5.5% of valuation (maximum unvoted general obligation debt allowed)	\$ 76,754,708
Less total debt outstanding subject to 5.5% limitation	<u>18,007,037</u>
Legal 5.5% margin (unvoted)	<u>\$ 58,747,671</u>

CITY OF MENTOR, OHIO

COMPUTATION OF DIRECT AND OVERLAPPING DEBT DECEMBER 31, 2003

	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Mentor</u>	<u>Amount Applicable to Taxpayers of City of Mentor</u>
Direct:			
City of Mentor	<u>\$ 18,160,824</u>	100.00 %	<u>\$ 18,160,824</u>
Overlapping:			
Mentor Exempted Village School District and Mentor Public Library	13,649,993	84.00	11,465,994
Lake County	<u>15,085,000</u>	25.06	<u>3,780,301</u>
Total overlapping	<u>28,734,993</u>		<u>15,246,295</u>
TOTAL	<u>\$ 46,895,817</u>		<u>\$ 33,407,119</u>

SOURCES: City of Mentor, Finance Department
Mentor Exempted Village School District
Office of the Lake County Auditor

CITY OF MENTOR, OHIO

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES LAST TEN FISCAL YEARS

Year	Debt Service on General Bonded Debt			General Fund Expenditures	Percentage of Tax-Supported Debt Service to General Fund Expenditures
	Principal	Interest	Total		
1994	\$ 743,106	\$ 656,656	\$ 1,399,762	\$ 23,824,213	5.88 %
1995	723,218	602,685	1,325,903	26,926,391	4.92
1996	738,587	639,333	1,377,920	28,806,222	4.78
1997	853,803	969,433	1,823,236	33,654,402	5.42
1998	1,212,777	1,435,070	2,647,847	36,628,572	7.23
1999	992,008	1,349,924	2,341,932	35,798,610	6.54
2000	1,031,899	1,283,690	2,315,589	36,033,973	6.43
2001	1,076,131	1,218,689	2,294,820	41,475,075	5.53
2002	1,120,619	1,152,524	2,273,143	42,144,217	5.39
2003	1,174,191	1,084,413	2,258,604	47,307,987	4.77

SOURCE: City of Mentor, Finance Department

CITY OF MENTOR, OHIO

PROPERTY VALUE AND CONSTRUCTION LAST TEN FISCAL YEARS

Year	Commercial/ Industrial Construction		Residential Construction		Assessed Value	
	Number of Permits	Value	Number of Permits	Value	Commercial ¹	Residential
1994	32	\$ 14,457,600	219	\$ 34,699,230	\$ 348,718,405	\$ 504,813,840
1995	17	6,783,292	169	26,788,600	371,363,376	581,323,100
1996	22	13,025,000	190	33,557,135	393,025,131	595,944,740
1997	23	19,682,455	168	31,786,070	422,283,634	607,571,200
1998	22	21,133,600	151	28,194,085	445,204,154	724,256,060
1999	28	32,508,000	125	25,405,985	466,720,129	733,176,570
2000	21	21,310,000	93	18,462,180	483,231,162	747,054,460
2001	17	25,337,931	86	18,356,344	531,734,976	837,953,010
2002	17	11,606,500	99	21,794,940	540,428,075	845,534,380
2003	10	12,140,928	104	21,194,829	540,799,589	854,740,560

Includes commercial, public utility, and personal property.

SOURCES: City of Mentor, Department of Building/Engineering
Office of the Lake County Auditor

CITY OF MENTOR, OHIO

PRINCIPAL TAXPAYERS DECEMBER 31, 2003

	<u>Real Property 2003 Assessed Valuation</u>	<u>Percentage of Total City Real Property Assessed Valuation</u>
Simon Property Group Limited Partnership	\$ 22,677,960	1.85 %
Cleveland Electric Illuminating Company	16,978,640	1.39
Consumers Ohio Water Company	7,416,540	0.61
Ohio Bell Telephone Company	7,284,860	0.59
Points East	6,151,250	0.50
STERIS Corporation	5,960,820	0.49
Euclid Clinic Foundation	4,005,170	0.33
Summerville at Mentor, Inc.	3,760,740	0.31
F I Mentor Commons Limited	3,717,760	0.30
Royal Appliance Manufacturing Company	3,668,320	0.30
Deepwood North Company	3,584,460	0.29
Osair, Inc.	<u>3,537,390</u>	<u>0.29</u>
TOTAL PRINCIPAL TAXPAYERS	<u>\$ 88,743,910</u>	<u>7.25 %</u>
TOTAL CITY REAL PROPERTY	<u>\$ 1,225,226,690</u>	

NOTE: By Ohio law, public utility personal property is taxed as real property.

SOURCE: Office of the Lake County Auditor

CITY OF MENTOR, OHIO

DEMOGRAPHIC STATISTICS DECEMBER 31, 2003

	<u>1980</u>	<u>1990</u>	<u>2000</u>
Population	42,065	47,358	50,278
Per capita income	\$ 8,952	\$ 16,717	\$ 24,592
Number of dwelling units	14,123	17,172	19,301
Persons per household	2.98	2.76	2.65
Median age (years)	29.70	33.90	38.90
Percent owner-occupied dwelling units	84.9 %	85.9 %	87.5 %
Median family income	\$ 27,003	\$ 46,589	\$ 65,322
Family income distribution			
Under \$9,999	1,376	332	191
\$10,000 to \$14,999	1,147	407	169
\$15,000 to \$24,999	4,119	1,332	864
Over \$25,000	<u>6,015</u>	<u>11,387</u>	<u>12,999</u>
Total families	<u><u>12,657</u></u>	<u><u>13,458</u></u>	<u><u>14,223</u></u>
Education distribution - grades/years completed			
0 to 8	6.2 %	3.2 %	1.8 %
9 to 11	12.9	10.8	9.0
12	43.1	33.0	30.0
13 to 15	18.8	30.7	24.9
16 or more	18.9	22.3	34.3
High school graduates	80.8	86.0	89.2

	<u>1990</u>		<u>2000</u>	
	<u>Number Employed</u>	<u>Percent of Total</u>	<u>Number Employed</u>	<u>Percent of Total</u>
Residents Employment Distribution by Occupation				
Management, professional, and related Service	7,404	30.0 %	9,882	36.1 %
Service	3,531	14.3	3,051	11.1
Sales and office	7,586	30.7	7,876	28.7
Farming, fishing, and forestry	167	0.7	52	0.2
Construction, extraction, and maintenance	1,299	5.3	1,912	7.0
Production, transportation, and material moving	<u>4,685</u>	<u>19.0</u>	<u>4,626</u>	<u>16.9</u>
Total employment	<u><u>24,672</u></u>	<u><u>100.0 %</u></u>	<u><u>27,399</u></u>	<u><u>100.0 %</u></u>
2003 average unemployment data, unadjusted:				
	Lake County	6.3 %		
	State of Ohio	6.1 %		
	United States	6.0 %		

SOURCES: U.S. Census 1980, 1990, and 2000
Ohio Bureau of Employment Services

CITY OF MENTOR, OHIO

TOP TWENTY EMPLOYERS DECEMBER 31, 2003

Employer	Nature of Business	Number of Employees
Mentor Public Schools	Education	1,233
City of Mentor	Government	789 ¹
STERIS Corporation	Manufacturing - infection prevention systems	700
Lincoln Electric Co.	Arc welding consumables	515
Deepwood Industries	Social services	500
PCC Airfoil - Mentor	Investment casting manufacturing	480
Sears, Roebuck & Co.	Retail sales	375
Mag-Nif, Co.	Automation - banks, games	350
SourceOne Healthcare Technologies	Imaging equipment distributor	300
Super K-Mart Center	Discount retail center	300
Wal-Mart	Discount retail center	300
Dillard's	Retail sales	280
Royal Plastics, Inc.	Plastic injection molding	280
Wiseco Piston Co., Inc.	Manufacturing - high performance pistons	270
Classic Chevrolet, Inc.	Automobile dealership	255
Kaufmann's	Retail sales	250
J C Penney Co.	Retail sales	250
The News-Herald	Publishing	250
Worthington Precision Metals	Precision machined components	250
Brennan Maintenance, Inc.	Commercial/residential cleaning	240

¹Including all part-time and seasonal employees.

SOURCE: City of Mentor, Department of Community Development

CITY OF MENTOR, OHIO

OTHER STATISTICS DECEMBER 31, 2003

Date of incorporation	December 18, 1963
Form of government	Council-Manager
Population, 2000 census	50,278
Area (square miles)	27.91
Miles of streets	227.0
Number of street lights	5,209
Number of City employees	
Regular full-time	377
Part-time and temporary	412
Fire Protection	
Number of stations	5
Number of firefighters and officers ¹	72
Police protection	
Number of stations	1
Number of policemen and officers	81
Sewers	
Miles of storm sewers	179
Miles of sanitary sewers	242.4
Parks and recreation	
Number of parks	11
Number of pools	3
Number of ice rinks	2
Number of community centers	7
Number of tennis courts	17
Number of baseball diamonds	19
Number of soccer fields	10
Number of basketball courts	5

¹Excluding part-time firefighters.

SOURCES: City of Mentor, Department of Building/Engineering
City of Mentor, Department of Public Works
City of Mentor, Department of Parks, Recreation and Public Lands



**Auditor of State
Betty Montgomery**

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CITY OF MENTOR

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
SEPTEMBER 23, 2004**