



**Auditor of State
Betty Montgomery**

**CITY OF MEDINA
MEDINA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Medina
Medina County
132 North Elmwood Avenue
Medina, Ohio 44256

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medina, Medina County, Ohio, (the City) as of and for the year ended December 31, 2004, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Because of the inadequacy of accounting records, we were unable to obtain sufficient evidence regarding the amounts at which land and other capital assets, net of depreciation are recorded in the governmental activities and business-type activities in the accompanying statement of net assets at December 31, 2004 (stated at \$1,021,974, \$10,975,211, \$3,065,568, and \$27,679,407, respectively), and the amount of accumulated depreciation and depreciation expense recorded in the governmental activities and the business-type activities for the year then ended (stated at \$9,351,099, \$1,430,282, \$16,662,405, and \$1,679,854, respectively). Due to our inability to obtain assurance on the amounts recorded as capital assets, we are also unable to obtain assurance as to the amount recorded as Invested in Capital Assets, Net of Related Debt for the governmental activities and business-type activities (stated at \$8,649,148 and \$8,664,976, respectively). We were unable to satisfy ourselves regarding land and construction in progress and other capital assets net of depreciation, accumulated depreciation, depreciation expense, and Invested in Capital Assets Net of Related Debt amounts by other auditing procedures.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves about land and other capital assets, net of depreciation, accumulated depreciation, depreciation expense, and invested in capital assets net of related debt, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and remaining fund information of the City of Medina, Medina County, Ohio, as of December 31, 2004, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. As a result of our limited procedures, we believe Management's Discussion and Analysis does not conform to Government Accounting Standards Board guidelines, since as discussed in paragraph three, we were unable to satisfy ourselves about land and other capital assets, net of depreciation, accumulated depreciation, depreciation expense and invested in capital assets, net of related debt.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The accompanying Federal Awards Expenditure Schedule is presented for 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. We subjected the Federal Awards Expenditure Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 14, 2006

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)

Our discussion and analysis of the City of Medina's financial performance provides an overview of the City's financial activities as of December 31, 2004.

Please read it in conjunction with the City's basic financial statements, which begin on page 13.

Financial Highlights

Key financial highlights for 2004 are as follows:

- The City's net assets increased \$2.8 million as a result of this year's operations. Net assets of our business-type activities decreased by approximately \$.4 million, or 2.2%, and net assets of governmental activities increased by \$3.2 million, or 12.7%.
- The City did not issue General Obligation Bonds in 2004 and continued reducing its overall outstanding debt obligations.

The Statement of Net Assets and the Statement of Activities (on pages 13 and 14-15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 16. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 13. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (land, roads, building, water and sewer lines etc...) to assess the *overall health* of the City.

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In the Statement of Net Assets and the Statement of Activities, we divide the City into two types of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including the police, fire, street and highway maintenance, capital improvement, vehicle acquisition, parks and recreation, and general administrative. Income taxes, property taxes, undivided local government, ambulance user fees and state and federal grants finance most of these activities.
- **Business-Type Activities** - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sanitation and recreation center operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds, governmental, proprietary, and fiduciary, use different accounting approaches.

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

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, special assessment bond fund, and grants fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Our analysis of the City's major funds begins on page 16.

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Proprietary funds - When the City charges customers for the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements begin on page 22.

Fiduciary Funds - These 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 for the fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statements begin on page 26.

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 begin on page 29.

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The City as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2004 compared to 2003:

(Table 1)
Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$ 26,883,580	\$ 24,201,743	\$ 8,619,385	\$ 10,571,444	\$ 35,502,965	\$ 34,773,187
Capital Assets, Net	11,997,185	11,829,828	30,744,975	29,871,476	42,742,160	41,701,304
Total Assets	<u>38,880,765</u>	<u>36,031,571</u>	<u>39,364,360</u>	<u>40,442,920</u>	<u>78,245,125</u>	<u>76,474,491</u>
Liabilities						
Current and Other Liabilities	6,458,667	6,439,913	1,202,107	1,091,368	7,660,774	7,531,281
Long Term Liabilities						
Due Within One Year	1,004,229	889,852	1,063,484	1,004,346	2,067,713	1,894,198
Due in More than One Year	3,061,621	3,525,595	21,224,276	22,111,210	24,285,897	25,636,805
Total Liabilities	<u>10,524,517</u>	<u>10,855,360</u>	<u>23,489,867</u>	<u>24,206,924</u>	<u>34,014,384</u>	<u>35,062,284</u>
Net Assets						
Invested in Capital Assets Net of Debt	8,649,148	8,014,029	8,664,976	8,217,762	17,314,124	16,231,791
Restricted						
Capital Projects	4,038,359	4,313,914	0	0	4,038,359	4,313,914
Debt Service	3,554,914	3,158,137	0	1,305,000	3,554,914	4,463,137
Other	6,725,941	4,579,204	0	0	6,725,941	4,579,204
Unrestricted (Deficit)	<u>5,387,886</u>	<u>5,110,927</u>	<u>7,209,517</u>	<u>6,713,234</u>	<u>12,597,403</u>	<u>11,824,161</u>
Total Net Assets	<u>\$ 28,356,248</u>	<u>\$ 25,176,211</u>	<u>\$ 15,874,493</u>	<u>\$ 16,235,996</u>	<u>\$ 44,230,741</u>	<u>\$ 41,412,207</u>

The City's *combined* net assets changed from a year ago, *increasing* from \$41.4 million to \$44.2 million. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge.

Net assets in the City's governmental activities increased by 12.7% (\$28.4 million compared to \$25.2 million). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements

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increased from \$5.1 million at December 31, 2003 to \$5.4 million at the end of 2004. Restricted net assets, those restricted mainly for capital projects and special purposes such as street cleaning or maintenance increased by \$2.3 million. The investments in capital assets, net of debt category increased by \$.6 million.

Net assets in the City's business-type activities decreased by 2.2% (\$15.9 million compared to \$16.2 million) in 2003. The City generally can only use these net assets to finance the continuing operations of the water, sewer, and refuse operations.

Table 2 shows the changes in net assets for fiscal year 2004. This will enable readers to draw further conclusions about the City's financial status and possibly project future problems.

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Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,705,498	\$ 2,570,141	\$ 8,319,043	\$ 8,335,591	\$ 11,024,541	\$ 10,905,732
Operating Grants and Contributions	1,896,651	2,371,197	0	61,393	1,896,651	2,432,590
Capital Grants	183,633	0	0	0	183,633	0
Total Program Revenues	4,785,782	4,941,338	8,319,043	8,396,984	13,104,825	13,338,322
<i>General Revenue:</i>						
City Income Taxes	9,014,842	3,953,459	762,042	435,012	9,776,884	4,388,471
Property Taxes	3,008,967	3,274,063	0	0	3,008,967	3,274,063
Grants and Contributions	1,499,204	2,063,007	0	6,904	1,499,204	2,069,911
Interest and Investment Earnings	463,101	128,624	66,177	9,342	529,278	137,966
Rentals	0	0	0	0	0	0
Other	98,913	240,654	43,819	24,551	142,732	265,205
Total General Revenues	14,085,027	9,659,807	872,038	475,809	14,957,065	10,135,616
Total Revenues	18,870,809	14,601,145	9,191,081	8,872,793	28,061,890	23,473,938
Program Expenses						
General Government	5,968,618	4,594,638	0	0	5,968,618	4,594,638
Security of Persons and Property	5,945,476	5,829,459	0	0	5,945,476	5,829,459
Public Health	104,149	75,290	0	0	104,149	75,290
Community Development	1,201,624	736,993	0	0	1,201,624	736,993
Transportation	1,394,659	1,154,547	0	0	1,394,659	1,154,547
Basic Utility	35,587	7,577	0	0	35,587	7,577
Leisure Time Activities	695,904	467,404	0	0	695,904	467,404
Interest on Long Term Debt	199,750	227,829	0	0	199,750	227,829
Water	0	0	4,708,586	4,465,471	4,708,586	4,465,471
Sanitation	0	0	2,298,431	2,989,511	2,298,431	2,989,511
Recreation Center	0	0	2,578,689	1,525,773	2,578,689	1,525,773
Airport	0	0	72,879	166,359	72,879	166,359
Storm Sewer	0	0	39,004	38,829	39,004	38,829
Total Expenses	15,545,767	13,093,737	9,697,589	9,185,943	25,243,356	22,279,680
<i>Increase (Decrease) in Net Assets</i>						
<i>Before Transfers</i>	3,325,042	1,507,408	(506,508)	(313,150)	2,818,534	1,194,258
Net Transfers	(145,005)	0	145,005	0	0	0
Change in Net Assets	\$ 3,180,037	\$ 1,507,408	\$ (361,503)	\$ (313,150)	\$ 2,818,534	\$ 1,194,258

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Governmental Activities

The 1.25% income tax is the largest single source revenue source for the City. Income tax revenues are allocated based on City ordinance with the exception of the Street Maintenance and Repair Special fund portion which is decided by vote. In 2004, all costs of collecting the taxes and administering and enforcing the provisions was paid into the general fund. The remaining balance was allocated among General Fund, Parks and Recreation, Police Special, Fire Special, Street Maintenance and Repair Special, General Purpose Capital, Fire Capital, Computer/Electronic Technology, Unanticipated Capital and Recreation Center.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	2004		2003	
	Total Cost	Net Cost	Total Cost	Net Cost
General Government	\$ 5,968,618	\$ 4,780,176	\$ 4,594,638	\$ 3,187,446
Security of Persons and Property	5,945,476	4,225,878	5,829,459	4,065,009
Public Health	104,149	100,827	75,290	74,019
Community Development	1,201,624	1,201,624	736,993	(91,209)
Transportation	1,394,659	(136,804)	1,154,547	323,126
Basic Utility	35,587	(5,217)	7,577	(311)
Lesiure Time	695,904	635,252	467,404	417,304
Interest and Fiscal Charges	199,750	(41,751)	227,829	177,015
<i>Total Expenses</i>	<u>\$ 15,545,767</u>	<u>\$ 10,759,985</u>	<u>\$ 13,093,737</u>	<u>\$ 8,152,399</u>

The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. The increase in the net cost demonstrates the inability to recover the increased cost of the program under the current revenue policies.

When looking at sources of income to support governmental activities, it should be noted that the charges for services are only 14.3% of revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 11.0%. The remaining revenues are primarily generated locally through property (15.9%) and income taxes (47.8%).

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(Unaudited)

Business-Type Activities

The City's major Enterprise Funds consist of the Water Fund, the Sanitation Fund and the Recreation Center Fund. For a description of these funds, see accompanying Notes to the Basic Financial Statements.

The basic financial statements for the major funds are included in this report.

The City's Funds

Governmental Funds

Information about the City's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$19.7 million and expenditures of \$16.1 million. The General Fund balance decreased \$.1 million and the Special Assessment Bond Fund balance decreased by \$.02 million.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Information about the City's major proprietary funds begins on page 22.

General Fund Budgeting Highlights

The budgetary process is prescribed by provisions of the Ohio Revised Code and the Codified Ordinance of the City and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Ordinance: all are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the departmental level. Any budgetary modifications at this level may only be made by resolution of City Council.

Actual expenditures were less than final appropriations by \$.6 million because some appropriations were not being spent. This occurred due to cost saving actions by City officials and appropriations for contingencies not realized and delayed implementation of projects for cost saving and other reasons. Actual revenues exceeded original budget revenues by \$.8 due to improving economic climate between the time of the original estimate and the end of the year and other factors.

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(Unaudited)

Capital Asset and Debt Administration

Capital Assets

At the end of 2004, the City had \$42.7 million invested in a broad range of capital assets, including police and fire equipment, land, buildings, park facilities, roads bridges, and water and sewer lines (see below). This amount represents a net increase over last year. Table 4 shows fiscal year 2004 balances compared with 2003.

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,021,974	\$ 1,021,974	\$ 3,065,568	\$ 3,065,568	\$ 4,087,542	\$ 4,087,542
Construction in Progress	0	0	0	5,835,000	0	5,835,000
Buildings and Improvements	6,576,486	6,712,684	15,034,250	8,312,699	21,610,736	15,025,383
Furniture and Equipment	2,049,254	2,256,090	228,961	729,921	2,278,215	2,986,011
Vehicles	715,566	1,277,058	170,718	140,437	886,284	1,417,495
Infrastructure	1,633,905	562,022	12,245,478	11,787,852	13,879,383	12,349,874
Totals	\$ 11,997,185	\$ 11,829,828	\$ 30,744,975	\$ 29,871,477	\$ 42,742,160	\$ 41,701,305

This year's major capital asset activity included the following:

- The Lake/Smith Road intersection improvement project was completed.
- Improvements were made to the airport hanger.
- Street improvements were made to Lafayette Road, Sycamore and Guilford Blvd.

More detailed information about the City's capital assets is presented in Note 9 to the basic financial statements. The level of street improvement projects increased this year due to resources made available by the voted allocation of income tax to the Street Maintenance and Repair Special Fund.

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(Unaudited)

Debt

At December 31, 2004, the City had \$21.7 million in General Obligation Bonds and \$2.1 million in Special Assessment Bonds.

	Governmental Activities		Business-Type Activities		Total	
	Restated		Restated			
	2004	2003	2004	2003	2004	2003
<i>General Obligation Bonds:</i>						
1987 Parking Improvement Bonds	\$ 48,600	\$ 64,800	\$ 0	\$ 0	\$ 48,600	\$ 64,800
1991 Fire Station	870,000	1,015,000	0	0	870,000	1,015,000
1997 Street Improvements	240,000	320,000	0	0	240,000	320,000
Various Water Improvement Bonds	0	0	13,695,000	14,260,000	13,695,000	14,260,000
Recreation Center	0	0	6,880,000	7,140,000	6,880,000	7,140,000
	<u>1,158,600</u>	<u>1,399,800</u>	<u>20,575,000</u>	<u>21,400,000</u>	<u>21,733,600</u>	<u>22,799,800</u>
<i>Special Assessment Bonds:</i>						
Various Street Improvements	2,082,064	2,264,070	0	0	2,082,064	2,264,070
Various Parking Improvements	41,400	55,200	0	0	41,400	55,200
Water Line	0	0	22,936	24,930	22,936	24,930
	<u>2,123,464</u>	<u>2,319,270</u>	<u>22,936</u>	<u>24,930</u>	<u>2,146,400</u>	<u>2,344,200</u>
Total	<u>\$ 3,282,064</u>	<u>\$ 3,719,070</u>	<u>\$ 20,597,936</u>	<u>\$ 21,424,930</u>	<u>\$ 23,880,000</u>	<u>\$ 25,144,000</u>

At December 31, 2004, the City had outstanding long-term debt obligations in the amount of \$3.3 million down from \$3.7 million in 2003 for the governmental activities which represents an 11.8% decrease. The City's business-type activities debt obligation as of December 31, 2004 was \$20.6 million down from \$21.4 million in 2003 which represents a decrease of 3.9%.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 13 of the basic financial statements.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Keith H. Dirham, C.P.A., Director of Finance, 132 N. Elmwood Avenue, P.O. Box 703, Medina, Ohio, 44256-0703.

City of Medina, Medina County
Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 18,088,782	\$ 5,242,124	\$ 23,330,906
Cash with Fiscal Agent	12,203	0	12,203
Receivables:			
Accounts	69,167	1,113,649	1,182,816
Interest	183,748	0	183,748
Internal Notes Receivable	0	2,183,409	2,183,409
Taxes	4,019,635	80,203	4,099,838
Intergovernmental	1,796,797	0	1,796,797
Special Assessments	2,713,248	0	2,713,248
Land and Construction in Progress	1,021,974	3,065,568	4,087,542
Other Capital Assets, Net of Depreciation	10,975,211	27,679,407	38,654,618
<i>Total Assets</i>	<u>38,880,765</u>	<u>39,364,360</u>	<u>78,245,125</u>
Liabilities			
Accounts Payable	438,023	317,981	756,004
Internal Notes Payable	2,183,409	0	2,183,409
Accrued Salaries, Wages and Benefits	599,499	199,793	799,292
Intergovernmental Payable	0	684,333	684,333
Accrued Interest Payable	12,203	0	12,203
Deferred Revenue	3,213,300	0	3,213,300
Compensated Absences	12,233	0	12,233
Long Term Liabilities:			
Due Within One Year	1,004,229	1,063,484	2,067,713
Due In More Than One Year	3,061,621	21,224,276	24,285,897
<i>Total Liabilities</i>	<u>10,524,517</u>	<u>23,489,867</u>	<u>34,014,384</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	8,649,148	8,664,976	17,314,124
Restricted for:			
Capital Outlay	4,038,359	0	4,038,359
Debt Service	3,554,914	0	3,554,914
Other Purposes	6,725,941	0	6,725,941
Unrestricted	5,387,886	7,209,517	12,597,403
<i>Total Net Assets</i>	<u>\$ 28,356,248</u>	<u>\$ 15,874,493</u>	<u>\$ 44,230,741</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Activities
For the Fiscal Year Ended December 31, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
General Government	\$ 5,968,618	\$ 1,124,742	\$ 63,700	\$ 0
Security of Persons and Property	5,945,476	1,505,457	214,141	0
Public Health	104,149	3,322	0	0
Community Development	1,201,624	0	0	0
Transportation	1,394,659	10,747	1,337,083	183,633
Basic Utility	35,587	66	40,738	0
Lesiure Time	695,904	60,652	0	0
Interest and Fiscal Charges	199,750	512	240,989	0
<i>Total Governmental Activities</i>	<u>15,545,767</u>	<u>2,705,498</u>	<u>1,896,651</u>	<u>183,633</u>
Business-Type Activities				
Water	4,708,586	4,004,730	0	0
Sanitation	2,298,431	2,701,633	0	0
Recreation Center	2,578,689	1,612,507	0	0
Airport	72,879	0	0	0
Storm Sewer	39,004	173	0	0
<i>Total Business-Type Activities</i>	<u>9,697,589</u>	<u>8,319,043</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$ 25,243,356</u>	<u>\$ 11,024,541</u>	<u>\$ 1,896,651</u>	<u>\$ 183,633</u>

General Revenues:

Property Taxes Levied for:

General Purposes

Other Purposes

Debt Service

Municipal Income Taxes Levied for:

General Purposes

Other Purposes

Capital Outlay

Grants and Entitlements not Restricted to

Specific Programs

Interest and Investment Earnings

Other

Total General Revenues

Net Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year (Restated, See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (4,780,176)	\$ 0	\$ (4,780,176)
(4,225,878)	0	(4,225,878)
(100,827)	0	(100,827)
(1,201,624)	0	(1,201,624)
136,804	0	136,804
5,217	0	5,217
(635,252)	0	(635,252)
41,751	0	41,751
<u>(10,759,985)</u>	<u>0</u>	<u>(10,759,985)</u>
0	(703,856)	(703,856)
0	403,202	403,202
0	(966,182)	(966,182)
0	(72,879)	(72,879)
0	(38,831)	(38,831)
<u>0</u>	<u>(1,378,546)</u>	<u>(1,378,546)</u>
<u>(10,759,985)</u>	<u>(1,378,546)</u>	<u>(12,138,531)</u>
1,327,509	0	1,327,509
1,515,141	0	1,515,141
166,317	0	166,317
2,750,967	762,042	3,513,009
5,117,407	0	5,117,407
1,146,468	0	1,146,468
1,499,204	0	1,499,204
463,101	66,177	529,278
98,913	43,819	142,732
<u>14,085,027</u>	<u>872,038</u>	<u>14,957,065</u>
<u>(145,005)</u>	<u>145,005</u>	<u>0</u>
<u>13,940,022</u>	<u>1,017,043</u>	<u>14,957,065</u>
3,180,037	(361,503)	2,818,534
<u>25,176,211</u>	<u>16,235,996</u>	<u>41,412,207</u>
<u>\$ 28,356,248</u>	<u>\$ 15,874,493</u>	<u>\$ 44,230,741</u>

City of Medina, Medina County

Balance Sheet

Governmental Funds

December 31, 2004

	General	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 2,137,878	\$ 721,418	\$ 15,229,486	\$ 18,088,782
Cash with Fiscal Agent	0	12,203	0	12,203
Receivables:				
Trade (Net of Allowance)	20,583	0	48,584	69,167
Interest	183,748	0	0	183,748
Taxes	1,442,277	0	2,577,358	4,019,635
Intergovernmental	674,722	0	1,122,075	1,796,797
Special Assessments	0	2,713,248	0	2,713,248
Due From Other Funds	44,671	0	0	44,671
<i>Total Assets</i>	<u>\$ 4,503,879</u>	<u>\$ 3,446,869</u>	<u>\$ 18,977,503</u>	<u>\$ 26,928,251</u>
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 84,068	\$ 2,284	\$ 351,671	\$ 438,023
Internal Notes Payable	0	0	2,183,409	2,183,409
Accrued Salaries, Wages and Benefits	229,714	0	369,785	599,499
Matured Interest Payable	0	12,203	0	12,203
Due to Other Funds	0	0	44,671	44,671
Deferred Revenue	1,815,528	2,713,248	2,616,108	7,144,884
Matured Compensated Absences	12,233	0	0	12,233
<i>Total Liabilities</i>	<u>2,141,543</u>	<u>2,727,735</u>	<u>5,565,644</u>	<u>10,434,922</u>
Fund Balance				
Reserved for Encumbrances	253,352	0	2,595,391	2,848,743
Unreserved, Undesignated, Reported In:				
General Fund	2,108,984	0	0	2,108,984
Special Revenue Funds	0	0	7,283,240	7,283,240
Debt Service Fund	0	719,134	590,837	1,309,971
Capital Projects Funds	0	0	2,942,391	2,942,391
<i>Total Fund Balances</i>	<u>2,362,336</u>	<u>719,134</u>	<u>13,411,859</u>	<u>16,493,329</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,503,879</u>	<u>\$ 3,446,869</u>	<u>\$ 18,977,503</u>	<u>\$ 26,928,251</u>

See accompanying notes to the basic financial statements.

City of City, Medina County
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 December 31, 2004*

Total Governmental Fund Balances		\$ 16,493,329
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		11,997,185
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	\$ 108,352	
Intergovernmental	1,109,984	
Special Assessments	<u>2,713,248</u>	3,931,584
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(3,282,064)	
Loan Payable	(65,973)	
Compensated Absences	<u>(717,813)</u>	<u>(4,065,850)</u>
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$ 28,356,248</u></u>

City of Medina, Medina County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2004

	General	Special Assessment Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Local Taxes	\$ 4,086,414	\$ 0	\$ 7,946,092	\$ 12,032,506
Intergovernmental Revenue	1,516,875	0	2,558,988	4,075,863
Fees Licenses and Permits	1,361,094	0	1,072,084	2,433,178
Special Assessments	0	316,702	0	316,702
Charges for Services	55,144	0	207,772	262,916
Interest Income	455,269	0	7,832	463,101
Rentals	9,404	0	0	9,404
Gifts and Donations	0	0	63,415	63,415
Miscellaneous	26,677	0	8,821	35,498
<i>Total Revenues</i>	<u>7,510,877</u>	<u>316,702</u>	<u>11,865,004</u>	<u>19,692,583</u>
Expenditures				
General Government	3,976,272	2,325	832,006	4,810,603
Security of Persons and Property	2,481,958	0	3,344,752	5,826,710
Public Health	100,895	0	2,897	103,792
Community Development	608,104	0	395,166	1,003,270
Transportation	0	2,284	973,496	975,780
Basic Utility	0	0	35,587	35,587
Lesiure Time	0	0	630,490	630,490
Capital Outlay	138,602	0	1,870,375	2,008,977
Debt Service:				
Principal Retirement	0	195,806	271,956	467,762
Interest and Fiscal Charges	0	131,780	67,970	199,750
<i>Total Expenditures</i>	<u>7,305,831</u>	<u>332,195</u>	<u>8,424,695</u>	<u>16,062,721</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	205,046	(15,493)	3,440,309	3,629,862
Other Financing Sources (Uses)				
Transfers In	0	0	155,732	155,732
Transfers Out	(300,737)	0	0	(300,737)
<i>Total Other Financing Sources (Uses)</i>	<u>(300,737)</u>	<u>0</u>	<u>155,732</u>	<u>(145,005)</u>
<i>Net Change in Fund Balance</i>	(95,691)	(15,493)	3,596,041	3,484,857
<i>Fund Balance Beginning of Year (Restated, See Note 3)</i>	<u>2,458,027</u>	<u>734,627</u>	<u>9,815,818</u>	<u>13,008,472</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,362,336</u>	<u>\$ 719,134</u>	<u>\$ 13,411,859</u>	<u>\$ 16,493,329</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	3,484,857
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions Net of Deletions	\$ 1,597,639	
Current Year Depreciation	<u>(1,430,282)</u>	167,357
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(8,697)	
Intergovernmental	(565,528)	
Special Assessments	<u>(247,549)</u>	(821,774)
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	437,006	
Loan Principal	<u>30,756</u>	467,762
 Some expenses reported in the statement of activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(118,165)</u>
 Change in Net Assets of Governmental Activities	 \$	 <u><u>3,180,037</u></u>

City of Medina, Medina County
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 3,603,965	\$ 3,819,121	\$ 4,097,142	\$ 278,021
Intergovernmental Revenue	1,075,537	1,084,617	1,222,283	137,666
Fees, Licenses and Permits	1,225,965	1,383,165	1,359,435	(23,730)
Charges for Services	57,250	58,250	55,144	(3,106)
Miscellaneous	236,856	272,630	305,207	32,577
<i>Total Revenues</i>	<u>6,199,573</u>	<u>6,617,783</u>	<u>7,039,211</u>	<u>421,428</u>
Expenditures				
General Government	2,395,011	4,155,116	3,851,589	303,527
Security of Persons and Property	2,886,962	2,904,160	2,653,414	250,746
Public Health	154,955	154,955	100,006	54,949
Community Development	624,710	665,710	613,750	51,960
Capital Outlay	117,943	176,396	138,602	37,794
<i>Total Expenditures</i>	<u>6,179,581</u>	<u>8,056,337</u>	<u>7,357,361</u>	<u>698,976</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	19,992	(1,438,554)	(318,150)	1,120,404
Other Financing Sources (Uses)				
Other Financing Sources	235,000	235,000	403,016	168,016
Other Financing Uses	(207,950)	(208,250)	(182,590)	25,660
Advances Out	(10,000)	(10,000)	(12,525)	(2,525)
Transfers Out	(100,000)	(191,000)	(300,737)	(109,737)
<i>Total Other Financing Sources (Uses)</i>	<u>(82,950)</u>	<u>(174,250)</u>	<u>(92,836)</u>	<u>81,414</u>
<i>Net Change in Fund Balance</i>	(62,958)	(1,612,804)	(410,986)	1,201,818
<i>Fund Balance Beginning of Year</i>	1,934,376	1,934,376	1,934,376	0
Prior Year Encumbrances Appropriated	306,244	306,244	306,244	0
<i>Fund Balance End of Year</i>	<u>\$ 2,177,662</u>	<u>\$ 627,816</u>	<u>\$ 1,829,634</u>	<u>\$ 1,201,818</u>

See accompanying notes to the basic financial statements.

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City of Medina, Medina County
Statement of Net Assets
Proprietary Funds
December 31, 2004

	Business-Type Activities - Enterprise Funds				
	Water	Sanitation	Recreation Center	Nonmajor	Total
Assets					
Current Assets					
Equity in Pooled Cash and Investments	\$ 3,721,110	\$ 341,226	\$ 776,876	\$ 402,912	\$ 5,242,124
Receivables					
Trade (Net of Allowance)	633,431	479,458	468	292	1,113,649
Internal Notes Receivable	1,765,708	491,861	0	0	2,257,569
Taxes	0	0	80,203	0	80,203
<i>Total Current Assets</i>	<u>6,120,249</u>	<u>1,312,545</u>	<u>857,547</u>	<u>403,204</u>	<u>8,693,545</u>
Non-Current Assets					
Capital Assets					
Land	1,228,866	0	0	1,836,702	3,065,568
Other Capital Assets, Net of Depreciation	19,139,391	483,645	7,348,485	707,886	27,679,407
<i>Total Non-Current Assets</i>	<u>20,368,257</u>	<u>483,645</u>	<u>7,348,485</u>	<u>2,544,588</u>	<u>30,744,975</u>
<i>Total Assets</i>	<u>26,488,506</u>	<u>1,796,190</u>	<u>8,206,032</u>	<u>2,947,792</u>	<u>39,438,520</u>
Liabilities					
Current Liabilities					
Accounts Payable	169,521	121,960	17,483	9,017	317,981
Intergovernmental Payable	0	0	684,333	0	684,333
Internal Notes Payable	0	70,000	0	4,160	74,160
Accrued Salaries, Wages and Benefits	64,118	56,273	79,402	0	199,793
<i>Total Current Liabilities</i>	<u>233,639</u>	<u>248,233</u>	<u>781,218</u>	<u>13,177</u>	<u>1,276,267</u>
Non-Current Liabilities					
Due Within One Year	714,477	62,691	286,316	0	1,063,484
Due In More Than One Year	14,577,150	20,547	6,626,579	0	21,224,276
<i>Total Non-Current Liabilities</i>	<u>15,291,627</u>	<u>83,238</u>	<u>6,912,895</u>	<u>0</u>	<u>22,287,760</u>
<i>Total Liabilities</i>	<u>15,525,266</u>	<u>331,471</u>	<u>7,694,113</u>	<u>13,177</u>	<u>23,564,027</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	5,168,258	483,645	468,485	2,544,588	8,664,976
Unrestricted	5,794,982	981,074	43,434	390,027	7,209,517
<i>Total Net Assets</i>	<u>\$ 10,963,240</u>	<u>\$ 1,464,719</u>	<u>\$ 511,919</u>	<u>\$ 2,934,615</u>	<u>\$ 15,874,493</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended December 31, 2004

Business-Type Activities - Enterprise Funds					
	Water	Sanitation	Recreation Center	Nonmajor	Total
Operating Revenues					
Charges for Services	\$ 4,004,730	\$ 2,701,633	\$ 1,612,507	\$ 173	\$ 8,319,043
Rentals	0	0	0	2,505	2,505
Other	38,704	1,424	1,104	82	41,314
<i>Total Operating Revenues</i>	<u>4,043,434</u>	<u>2,703,057</u>	<u>1,613,611</u>	<u>2,760</u>	<u>8,362,862</u>
Operating Expenses					
Personal Services	950,607	1,086,864	1,149,589	7,311	3,194,371
Contractual Service	81,494	0	684,333	0	765,827
Materials and Supplies	1,612,286	1,089,035	281,252	17,042	2,999,615
Depreciation	1,334,402	122,340	151,515	71,597	1,679,854
Capital Outlay	4,180	0	0	15,933	20,113
Other	12,152	192	0	0	12,344
<i>Total Operating Expenses</i>	<u>3,995,121</u>	<u>2,298,431</u>	<u>2,266,689</u>	<u>111,883</u>	<u>8,672,124</u>
<i>Operating Income (Loss)</i>	48,313	404,626	(653,078)	(109,123)	(309,262)
Non-Operating Revenues (Expenses)					
Municipal Income Tax	0	0	762,042	0	762,042
Interest Income	59,181	6,194	0	802	66,177
Interest	(713,465)	0	(312,000)	0	(1,025,465)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(654,284)</u>	<u>6,194</u>	<u>450,042</u>	<u>802</u>	<u>(197,246)</u>
<i>Income (Loss) Before Transfers</i>	(605,971)	410,820	(203,036)	(108,321)	(506,508)
Transfers In	0	0	0	145,005	145,005
<i>Change in Net Assets</i>	(605,971)	410,820	(203,036)	36,684	(361,503)
<i>Net Assets at Beginning of Year (Restated, See Note 3)</i>	11,569,211	1,053,899	714,955	2,897,931	16,235,996
Increase (Decrease) in Reserve for Inventory	0	0	0	0	0
<i>Net Assets and the End of the Year</i>	<u>\$ 10,963,240</u>	<u>\$ 1,464,719</u>	<u>\$ 511,919</u>	<u>\$ 2,934,615</u>	<u>\$ 15,874,493</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sanitation	Recreation Center
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 4,015,840	\$ 2,808,291	\$ 1,613,143
Cash Paid for Goods and Services	(1,628,140)	(1,573,328)	(366,512)
Cash Paid to Employees	(912,570)	(1,076,125)	(1,120,671)
<i>Net Cash Provided By Operating Activities</i>	<u>1,475,130</u>	<u>158,838</u>	<u>125,960</u>
Cash Flows From Non-Capital Financing Activities			
Income Tax	0	0	702,346
Transfers In	0	0	0
<i>Net Cash Provided By Non-Capital Activities</i>	<u>0</u>	<u>0</u>	<u>702,346</u>
Cash Flows From Investing Activities			
Interest on Investments	59,181	6,194	0
<i>Net Cash Provided By Investing Activities</i>	<u>59,181</u>	<u>6,194</u>	<u>0</u>
Cash Flows From Capital and Related Activities			
Payments for Capital Acquisitions	(335,554)	(361,817)	(1,665,000)
Principal Payments on Notes	(618,714)	0	(260,000)
Interest Paid on Bonds	(713,465)	0	(312,000)
<i>Net Cash Used For Capital and Related Financing Activities</i>	<u>(1,667,733)</u>	<u>(361,817)</u>	<u>(2,237,000)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(133,422)	(196,785)	(1,408,694)
<i>Cash and Cash Equivalents at Beginning of Year</i>	3,854,532	538,011	2,185,570
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 3,721,110</u>	<u>\$ 341,226</u>	<u>\$ 776,876</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Operating Income (Loss)	\$ 48,313	\$ 404,626	\$ (653,078)
Adjustments:			
Depreciation Expense	1,334,402	122,340	151,515
(Increase) Decrease in Assets:			
Accounts Receivable	9,739	(4,265)	(468)
Interfund Notes Receivable	0	109,499	0
Due from Other Funds	(37,333)	0	0
Prepays	23,807	14,722	13,092
Increase (Decrease) in Liabilities:			
Accounts Payable	58,165	7,086	4,648
Due to Other Funds	0	70,000	(103,000)
Accrued Salaries, Wages and Benefits	38,037	10,739	28,918
Intergovernmental Payable	0	(575,909)	684,333
<i>Total Adjustments</i>	<u>1,426,817</u>	<u>(245,788)</u>	<u>779,038</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 1,475,130</u>	<u>\$ 158,838</u>	<u>\$ 125,960</u>

See accompanying notes to the basic financial statements.

<u>Nonmajor</u>		<u>Total</u>	
\$	106,317	\$	8,543,591
	(19,882)		(3,587,862)
	(7,604)		(3,116,970)
	<u>78,831</u>		<u>1,838,759</u>
	0		702,346
	<u>145,005</u>		<u>145,005</u>
	<u>145,005</u>		<u>847,351</u>
	<u>802</u>		<u>66,177</u>
	<u>802</u>		<u>66,177</u>
	(190,982)		(2,553,353)
	0		(878,714)
	<u>0</u>		<u>(1,025,465)</u>
	<u>(190,982)</u>		<u>(4,457,532)</u>
	33,656		(1,705,245)
	<u>369,256</u>		<u>6,947,369</u>
\$	<u>402,912</u>	\$	<u>5,242,124</u>
\$	(109,123)	\$	(309,262)
	71,597		1,679,854
	103,557		108,563
	0		109,499
	0		(37,333)
	0		51,621
	8,933		78,832
	4,160		(28,840)
	(293)		77,401
	<u>0</u>		<u>108,424</u>
	<u>187,954</u>		<u>2,148,021</u>
\$	<u>78,831</u>	\$	<u>1,838,759</u>

City of Medina, Medina County
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2004

	Private Purpose Trust Tricentennial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 6,204	\$ 342,274
Cash in Segregated Accounts	0	480,336
<i>Total Assets</i>	\$ 6,204	\$ 822,610
Liabilities		
Undistributed Monies	\$ 0	\$ 822,610
<i>Total Liabilities</i>	0	\$ 822,610
Net Assets		
Held in Trust for Tricentennial	\$ 6,204	

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

	Private Purpose Trust
	Tricentennial
Additions	
Miscellaneous	\$ 22
Deductions	0
Change in Net Assets	22
Net Assets Beginning of Year	6,182
Net Assets End of Year	\$ 6,204

See accompanying notes to the basic financial statements.

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City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 1 – Description of the City and Reporting Entity

The City of Medina (the City) was organized in 1952 as a political body and corporation established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The City operates under a charter as a home-rule municipal corporation under the laws of the State of Ohio. The City provides police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, water distribution, refuse collection and general administrative services to the citizens of the City.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, water, and sanitation.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business type activities and enterprise funds. The most significant of the City's accounting policies are described below.

Basis of Presentation

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Special Assessment Bond Retirement – The special assessment bond retirement fund accounts for financial resources whose use is restricted to retiring special assessment bond debt. These resources are primarily generated through special assessments.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund – The water fund accounts for financial resources whose use is restricted to providing water service. These resources are primarily generated through charges for water service.

Sanitation Fund – The sanitation fund accounts for financial resources whose use is restricted to providing refuse collection. These resources are primarily generated through charges for sanitation services.

Recreation Center Fund – The recreation center fund accounts for financial resources whose use is restricted to providing recreation service through the Medina Community Recreation Center. These resources are primarily generated through charges for Medina Community Recreation Center use and income tax.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits held for contractors and developers. The private purpose trust fund accounts for money held in trust for the tricentennial

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All non fiduciary assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Fund Financial Statements

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Private purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue on modified accrual only. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year, for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the object level. The appropriation ordinance may be amended during the year by action of Council, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of council. During the year, several supplemental appropriation measures were passed, some of which were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not re-appropriated.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except an amount in the special assessment bond retirement fund are maintained in this pool. Individual fund integrity is maintained through the City's records.

During 2004, investments included municipal securities, certificates of deposit and STAROhio.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price investments could be sold for on December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$455,269, which includes \$372,247, assigned from other city funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of ten thousand dollars. The City's infrastructure consists of bridges, culverts, storm sewers, streets, traffic signals and water lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. It is the policy of the City to not capitalize interest costs incurred as part of construction for enterprise funds.

All reported capital assets are required to be depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City Engineer's interpretation of historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Improvements	10 - 20 Years	10 - 20 Years
Buildings and Structures	10 - 45 Years	10 - 45 Years
Vehicles, Furniture and Equipment	5 - 15 Years	5 - 15 Years
Infrastructure	10 - 50 Years	10 - 50 Years

Interfund Balances

On fund financial statements, long-term interfund loans are classified as “due to/from other funds” on the balance sheet. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

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

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances are recorded as a reservation of fund balance.

Net Assets

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water services, refuse collection, use of the recreation center, and storm water. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. There were no contributions of capital during 2004.

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in business-type activities. Interfund transfers are eliminated when reported in the entity wide financial statements for both the governmental and business-type activities. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

Estimates

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

Note 3 – Restatement of Prior Year Fund Balances and Net Assets

During the year, it was determined that previously reported business-type activities were better classified as governmental funds. This includes a loan that was previously recorded in the Water fund. It was also noted that, in the prior year, intergovernmental receivable amounts were overstated, and that a loan payable was incorrectly recorded within the governmental funds. The following is the net effect on the beginning fund balance and net assets as previously recorded:

	General Fund	Special Assessment Debt	Other Governmental	Total Governmental Funds
Fund Balances, December 31, 2003	\$ 2,458,027	\$ 734,627	\$ 9,726,288	\$ 12,918,942
Fund Reclassifications	0	0	(7,199)	(7,199)
Remove Loan Payable	0	0	96,729	96,729
Fund Balances, January 1, 2004	<u>\$ 2,458,027</u>	<u>\$ 734,627</u>	<u>\$ 9,815,818</u>	<u>\$ 13,008,472</u>

The changes in net assets are:

	Governmental Activities
Net Assets, December 31, 2003	\$ 25,504,722
Fund Reclassifications	(57,269)
Deferred Revenue	(271,242)
Net Assets, January 1, 2004	<u>\$ 25,176,211</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Water Fund	Sanitation Fund	Recreation Center	Nonmajor Funds	Total Business-Type Activities
Fund Balances, December 31, 2003	\$ 11,519,141	\$ 1,053,899	\$ 714,955	\$ 2,890,732	\$ 16,178,727
Fund Reclassifications	0	0	0	7,199	7,199
Remove Loan Payable	50,070	0	0	0	50,070
Fund Balances, January 1, 2004	<u>\$ 11,569,211</u>	<u>\$ 1,053,899</u>	<u>\$ 714,955</u>	<u>\$ 2,897,931</u>	<u>\$ 16,235,996</u>

Fund reclassifications at December 31, 2003 were as follows:

	Governmental Funds	Enterprise Funds
Airport Vision 100 Grant	\$ (66,319)	\$ 66,319
Airport Land Release	59,120	(59,120)
	<u>\$ (7,199)</u>	<u>\$ 7,199</u>

Note 4 – Fund Deficits

Fund balances at December 31, 2004 included the following individual fund deficits:

	Deficit Fund Balance
Nonmajor Governmental Funds:	
Issue 2	\$ 88,755
Special Assessment	4,251
Grants Fund	288,976
CDBG Grant	84,000
CHIP Grant	23,182
Federal Airport Grant	30,370

The deficits in these nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 5 – Deposits and Investments

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current 5-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreements must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and political subdivisions;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

Investments in stripped principal or interest obligation reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the City's deposits was \$24,064,799 and the bank balance was \$24,500,329. Of the bank balance:

1. \$500,000 of the bank balance was covered by depository insurance; and
2. \$24,900,329 was uninsured and uncollateralized as defined by the Government Accounting Standards Board (GASB) because the collateral pledged by the financial institution or their trust departments or agents is not in the City's name, due to the fact the pledging bank has an investment and securities pool used to collateralize all public deposits. This pool had a market value at December 31, 2004 in excess of 105% of the public funds on deposit.

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Carrying Value	Fair Value
Investment in State Treasurer's Investment Pool	\$ 107,124	\$ 107,124
	\$ 107,124	\$ 107,124

Note 6 – Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash (cash on hand) represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Net Change in Fund Balance

	General Fund
GAAP Basis (as reported)	\$ (95,691)
Adjustments:	
Net adjustment for revenue accruals	(471,666)
Other financing sources	403,016
Net adjustment for expenditure accruals	74,120
Advance out	(12,525)
Encumbrances	(308,240)
Budget basis	\$ (410,986)

Contrary to Ohio Revised Cost Section 5705.41 (D), the City did not properly certify all expenditures prior to incurring the obligation.

Note 7 – Transfers and Interfund Balances

Transfers are used to move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfer Out	Transfer In	Amount
General Fund	Other Governmental	\$ 155,732
General Fund	Nonmajor Enterprise Fund	145,005
		\$ 300,737

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of December 31, 2004, all interfund payables outstanding are anticipated to be repaid in 2005.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Interfund obligations for the year ended December 31, 2004, consisted of the following:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Other Governmental	<u>\$ 44,671</u>

Note 8 – Receivables

Receivables at December 31, 2004, consisted of taxes, interest, special assessments, trade (billings for user charged services) and intergovernmental receivables.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

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

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2004 was \$5.7 per \$1,000 of assessed value. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.42 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$5.24 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Real Property - 2003 Valuation

Residential/agricultural	\$ 369,623,400	71.92%
Commercial/industrial	144,288,130	28.08%
	<u>\$ 513,911,530</u>	<u>100.00%</u>

Tangible Personal Property - 2003 Valuation

General and public utilities	<u>\$ 97,550,080</u>
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Real property taxes are payable annually or semiannually. If paid annually, the payment is due by December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30 with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2004. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2004 operations. The receivable is offset by deferred revenue.

Income Taxes

The City levies a municipal income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. Effective January 1, 2004, the income tax rate was 1.25 percent. The Central Collection Agency (CCA) is the City's agent for administering income tax collecting and accounting.

Employers within the City are required to withhold income tax on work done or services performed in the City by both residents and non-residents of the City. All individuals who work or conduct business in the City and do not have income tax withheld must file estimated tax returns using the 1.25% rate for 2004 and remit the tax to the City either monthly or quarterly, as required. All businesses located in or doing business in the City must file a net profit estimate for 2004 using the 1.25% rate.

All residents, 16 years of age and over, working outside the City are subject to the 1.25% tax less the credit allowed for taxes paid to another taxing community. Maximum credit allowed residents for taxes paid to another community is .19%.

Income tax revenues are allocated based on City ordinance. In 2004, all costs of collecting the taxes and administering and enforcing the provisions was paid into the general fund. The remaining balance was allocated among General Fund, Parks and Recreation, Police Special, Fire Special, Street Maintenance and Repair Special, General Purpose Capital, Fire Capital, Computer/Electronic Technology, Unanticipated Capital, and Recreation Center.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Homestead/Rollback	\$ 164,957
Estate Tax	90,958
Auto Registration	179,647
Gasoline Tax	372,636
Permissive Tax	23,575
Local Government	431,549
Court Fees	100,463
Services	94,636
Grants	<u>338,376</u>
Total	<u>\$ 1,796,797</u>

Taxes Receivables

A summary of taxes receivables follows:

	<u>Amount</u>
Governmental Activities:	
Real Estate Tax	\$ 3,321,652
Municipal Income Tax	<u>697,983</u>
Total	<u>\$ 4,019,635</u>
 Business-Type Activities	
Municipal Income Tax	<u>\$ 80,203</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 9 – Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,021,974	\$ 0	\$ 0	\$ 1,021,974
Total Capital Assets, not being depreciated	<u>1,021,974</u>	<u>0</u>	<u>0</u>	<u>1,021,974</u>
<i>Capital Assets, being depreciated:</i>				
Buildings	4,520,431	100,324	0	4,620,755
Improvements	4,994,337	134,960	0	5,129,297
Furniture and Equipment	4,800,606	139,612	0	4,940,218
Vehicles	3,831,173	92,444	0	3,923,617
Infrastructure				
Roads	541,961	1,106,327	0	1,648,288
Storm Sewers	24,011	6,040	0	30,051
Culverts	0	17,932	0	17,932
Traffic Signals	16,152	0	0	16,152
Total Capital Assets, being depreciated	<u>18,728,671</u>	<u>1,597,639</u>	<u>0</u>	<u>20,326,310</u>
Less Accumulated Depreciation:				
Buildings	(1,808,172)	(115,017)	0	(1,923,189)
Improvements	(993,912)	(256,465)	0	(1,250,377)
Furniture and Equipment	(2,544,516)	(346,448)	0	(2,890,964)
Vehicles	(2,554,115)	(653,936)	0	(3,208,051)
Infrastructure				
Roads	(18,065)	(54,942)	0	(73,007)
Storm Sewers	(960)	(1,202)	0	(2,162)
Culverts	0	(1,195)	0	(1,195)
Traffic Signals	(1,077)	(1,077)	0	(2,154)
Total Accumulated Depreciation	<u>(7,920,817)</u>	<u>(1,430,282)</u>	<u>0</u>	<u>(9,351,099)</u>
Total Capital Assets being depreciated, net	<u>10,807,854</u>	<u>167,357</u>	<u>0</u>	<u>10,975,211</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,829,828</u>	<u>\$ 167,357</u>	<u>\$ 0</u>	<u>\$ 11,997,185</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 3,065,568	\$ 0	\$ 0	\$ 3,065,568
Construction in Progress	5,835,000	1,665,000	(7,500,000)	0
Total Capital Assets, not being depreciated	8,900,568	1,665,000	(7,500,000)	3,065,568
<i>Capital Assets, being depreciated:</i>				
Buildings	4,486,001	7,500,000	0	11,986,001
Improvements	13,314,895	121,070	0	13,435,965
Furniture and Equipment	2,672,177	637,492	0	3,309,669
Vehicles	2,030,545	129,790	0	2,160,335
Infrastructure:				
Water Lines	13,449,842	0	0	13,449,842
Total Capital Assets, being depreciated	35,953,460	8,388,352	0	44,341,812
Less Accumulated Depreciation:				
Buildings	(1,114,907)	(232,635)	0	(1,347,542)
Improvements	(8,373,290)	(666,884)	0	(9,040,174)
Furniture and Equipment	(2,743,652)	(337,056)	0	(3,080,708)
Vehicles	(1,890,108)	(99,509)	0	(1,989,617)
Infrastructure:				
Water Lines	(860,594)	(343,770)	0	(1,204,364)
Total Accumulated Depreciation	(14,982,551)	(1,679,854)	0	(16,662,405)
Total Capital Assets being depreciated, net	20,970,909	6,708,498	0	27,679,407
Business-Type Activities Capital Assets, Net	\$ 29,871,477	\$ 8,373,498	\$ (7,500,000)	\$ 30,744,975

Depreciation expense was charged to programs as follows:

<i>Governmental Activities:</i>	
General Government	\$ 1,341,932
Transportation	56,019
Security of Persons	28,412
Leisure	3,919
Total	<u>\$ 1,430,282</u>
<i>Business-Type Activities:</i>	
Water	\$ 1,334,401
Sanitation	122,340
Recreation Center	151,515
Airport	44,777
Storm Water	26,821
Total	<u>\$ 1,679,854</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 10 – Defined Benefit Pension Plans

All City full-time employees, other than Police and Firemen, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan (TP), a cost sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and Combined plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a standalone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

Plan members were required to contribute 8.5% of their annual covered salary to fund pension obligations and the City is required to contribute 8.55% for the year 2004. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS were \$538,993 for December 31, 2004 and \$530,338 and \$757,274 for years ended December 31, 2003 and 2002 respectively.

The City contributes to the Ohio Police and Firemen's Disability and Pension Fund (OP&F), a cost sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. The PFDPF 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. The 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 Firemen's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10% of their annual covered salary to fund pension obligations and for 2004 the City was required to contribute 11.75% for police and 16.25% for firefighters. Contributions are authorized by State statute. The City's contributions to the PFDPF for police and firefighters were \$437,951 and \$36,239 for the year ended December 31, 2004, \$352,973 and \$250,801 for the year ended December 31, 2003, and \$330,728 and \$232,075 for the year ended December 31, 2002. The full amount has been contributed for 2004, 2003, and 2002.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 11– Postemployment Benefits

Ohio Public Employees Retirement System

In addition to providing pension benefits through Ohio Public Employee Retirement System ("System"), the System provides post retirement 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 service recipients is also available. The Ohio revised code provides statutory authority for employee and employer contributions to the System. For 2004, member and employer contribution rates for all three plans for local government employer units were 13.55% of covered payroll; 4% was the portion that was used to fund health care for the year, which amounted to \$34,274.

The Other Post-Employment Benefit (OPEB) is a standardized disclosure measure of the present value of OPEB adjusted for the effects of payroll increases and health care premium increases. The measure, which is an actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due. The system does not make separate measurements of assets and OPEB for individual employers.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$26.9 billion and \$16.4 billion, respectively. As of December 31, 2003, (the latest information available) the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.5 billion. The number of statewide benefit recipients eligible for OPEB at December 31, 2003 was 369,885.

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement 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 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing 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. The total police employer contribution is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the post-employment health care program during 2004. In addition, since July 1, 1993, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The City's actual contributions for 2004 that were used to fund post-employment benefits were \$173,867 for police and \$11,705 for fire. The OP&F's total health care expense for the year ended December 31, 2004 was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 12 – Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated contracts, City ordinances and State laws. Employees earn one to five weeks of vacation per year, depending upon length of service. Annual vacation eligibility is as of December 31 and unused vacation may be carried over for one year.

Employees that have used three weeks vacation and can not take off the remaining, they may receive payment for vacation that would have otherwise been lost. When an employee terminates employment with two weeks notice, they will receive a pro-ration of vacation time that they would receive the next year. When there is not two weeks notice, the employee will receive any vacation balance currently accrued.

Employees earn sick leave at the rate of 4.6 hours per 80 hours worked. Maximum sick leave accumulation is 120 days, unless approved by a department head. No sick leave is paid out at termination, but upon retirement, employees receive 37.5% of their sick leave balance not to exceed 360 hours.

Employees may elect to receive compensatory time off in lieu of overtime. Currently the maximum balance is 120 hours.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 13 – Long Term Obligations

General Obligation Bonds

Outstanding general obligation bonds consist of utility system and building construction issues. General obligation bonds have been issued for governmental and business-type activities.

General obligation bonds are direct obligations of the City for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the City.

General obligation bonds currently outstanding are as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rates	Original Issue Amount
<i>Governmental Activities</i>				
Parking Improvements	1987	2007	7.25%	\$ 307,800
Fire Station	1991	2010	3.00% to 10.00%	2,710,350
Street Improvements	1997	2007	5.20%	800,000
Total				<u>\$ 3,818,150</u>
<i>Business-Type Activities</i>				
Water Improvements	1995	2015	5.20% to 5.85%	1,000,000
Recreation Center	2001	2021	3.60% to 4.90%	4,920,000
Water Improvements	2001	2021	4.00% to 5.10%	8,355,000
Recreation Center	2002	2022	3.00% to 5.00%	2,035,000
Water Improvements	2002	2022	2.40% to 5.00%	6,080,000
Total				<u>\$ 22,390,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 241,200	\$ 47,009	\$ 288,209	\$ 855,000	\$ 922,828	\$ 1,777,828
2006	241,200	10,749	251,949	880,000	892,963	1,772,963
2007	241,200	5,375	246,575	905,000	861,298	1,766,298
2008	145,000	0	145,000	940,000	828,498	1,768,498
2009	145,000	0	145,000	975,000	792,922	1,767,922
2010 - 2014	145,000	0	145,000	5,430,000	3,335,919	8,765,919
2015 - 2019	0	0	0	6,550,000	2,005,149	8,555,149
2020 - 2022	0	0	0	4,040,000	378,282	4,418,282
Total	<u>\$ 1,158,600</u>	<u>\$ 63,133</u>	<u>\$ 1,221,733</u>	<u>\$ 20,575,000</u>	<u>\$ 10,017,859</u>	<u>\$ 30,592,859</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Special Assessment Bonds

Outstanding special assessment bonds consist of street and utility improvements and sidewalks which are payable from the proceeds of tax assessments against individual property owners. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. The delinquent special assessments at 12/31/04 are \$108,352.

Special Assessment bonds currently outstanding are as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rates	Original Issue Amount
Governmental Activities				
Parking Improvements	1987	2007	7.25%	\$ 262,200
Street Improvements	1995	2015	5.20%	880,000
Street Improvements	1988	2008	4.75% to 5.50%	275,946
Water Line (66.76%)	1988	2013	5.30% to 9.00%	53,037
Street Improvements	1991	2011	6.625% to 6.80%	440,000
Street Improvements	1992	2012	4.40% to 10.00%	780,000
Street Improvements	1994	2014	5.40% to 5.75%	1,090,000
Street Improvements	1998	2013	4.50%	127,000
Total				<u>\$ 3,908,183</u>
Business-Type Activities				
Water Line (33.24%)	1988	2013	5.30% to 9.00%	<u>\$ 26,407</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31,	Special Assessment Bonds					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 205,806	\$ 122,520	\$ 328,326	\$ 1,994	\$ 1,227	\$ 3,221
2006	211,473	110,523	321,996	2,327	1,120	3,447
2007	227,473	98,162	325,635	2,327	994	3,321
2008	218,673	84,715	303,388	2,327	868	3,195
2009	224,341	71,894	296,235	2,659	743	3,402
2010 - 2014	975,698	166,857	1,142,555	11,302	1,533	12,835
2015	60,000	3,300	63,300	0	0	0
Total	<u>\$ 2,123,464</u>	<u>\$ 657,971</u>	<u>\$ 2,781,435</u>	<u>\$ 22,936</u>	<u>\$ 6,485</u>	<u>\$ 29,421</u>

Loans Payable

A. Leaf Machine

The City has a bank loan payable for a leaf machine. Annual debt service requirements to maturity for the leaf machine loan are as follows:

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Year Ending December 31,	Loan Payable		
	Governmental Activities		
	Principal	Interest	Total
2005	\$ 32,205	\$ 3,203	\$ 35,408
2006	33,768	1,639	35,407
Total	<u>\$ 65,973</u>	<u>\$ 4,842</u>	<u>\$ 70,815</u>

B. Water Tank

The City and the County joined to construct a water tank at the end of Avon Lake Municipal Utilities Eastern Transmission Line #2. This tank provides water for pumping facilities of the City and the County. OWDA funds were used to construct this tank. The City's portion of the loan with OWDA amounts to \$1,583,180 at an interest rate of 4.65%. Semi-annual payments are made to the County with the final payment due January 1, 2023.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending December 31,	Loan Payable		
	Business-Type Activities		
	Principal	Interest	Total
2005	\$ 54,153	\$ 68,295	\$ 122,448
2006	56,700	65,746	122,446
2007	59,368	63,079	122,447
2008	62,160	58,841	121,001
2009	65,084	57,363	122,447
2010 - 2014	292,429	235,905	528,334
2015 - 2019	449,893	141,177	591,070
2020 - 2023	442,277	40,011	482,288
Total	<u>\$ 1,482,064</u>	<u>\$ 730,417</u>	<u>\$ 2,212,481</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Changes in Long Term Liabilities

Long term liability activity for the year ended December 31, 2004 was as follows:

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
Governmental Activities					
<i>General Obligation Bonds</i>					
Parking Improvements	\$ 64,800	\$ 0	\$ (16,200)	\$ 48,600	\$ 16,200
Fire Station	1,015,000	0	(145,000)	870,000	145,000
Street Improvements	320,000	0	(80,000)	240,000	80,000
<i>Total General Obligation Bonds</i>	<u>1,399,800</u>	<u>0</u>	<u>(241,200)</u>	<u>1,158,600</u>	<u>241,200</u>
<i>Special Assessment Bonds</i>					
Street Improvements	50,070 (1)	0	(4,006)	46,064	4,006
Parking Improvements	55,200	0	(13,800)	41,400	13,800
Street Improvements	620,000	0	(40,000)	580,000	45,000
Street Improvements	75,000	0	(15,000)	60,000	15,000
Street Improvements	245,000	0	(25,000)	220,000	25,000
Street Improvements	455,000	0	(40,000)	415,000	40,000
Street Improvements	730,000	0	(50,000)	680,000	55,000
Street Improvements	89,000	0	(8,000)	81,000	8,000
<i>Total Special Assessment Bonds</i>	<u>2,319,270</u>	<u>0</u>	<u>(195,806)</u>	<u>2,123,464</u>	<u>205,806</u>
Loan Payable	96,729 (1)	0	(30,756)	65,973	32,205
Compensated Absences	599,648	643,183	(525,018)	717,813	525,018
Total Governmental Long Term Liabilities	<u><u>\$ 4,415,447</u></u>	<u><u>\$ 643,183</u></u>	<u><u>\$ (992,780)</u></u>	<u><u>\$ 4,065,850</u></u>	<u><u>\$ 1,004,229</u></u>

(1) See restatement note 3

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
Business-Type Activities					
<i>General Obligation Bonds</i>					
Water Improvements	\$ 600,000	\$ 0	\$ (50,000)	\$ 550,000	\$ 50,000
Water Improvements	7,795,000	0	(295,000)	7,500,000	310,000
Water Improvements	5,865,000	0	(220,000)	5,645,000	225,000
Recreation Center	2,555,000	0	(85,000)	2,470,000	85,000
Recreation Center	4,585,000	0	(175,000)	4,410,000	185,000
<i>Total General Obligation Bonds</i>	<u>21,400,000</u>	<u>0</u>	<u>(825,000)</u>	<u>20,575,000</u>	<u>855,000</u>
<i>Special Assessment Bonds</i>					
Water Line	24,930	0	(1,994)	22,936	1,994
<i>Total Special Assessment Bonds</i>	<u>24,930</u>	<u>0</u>	<u>(1,994)</u>	<u>22,936</u>	<u>1,994</u>
Loan Payable	1,533,784	0	(51,720)	1,482,064	54,153
Compensated Absences	16,942	312,444	(121,626)	207,760	152,337
Total Business-Type Activities					
Long Term Liabilities	<u>\$ 22,975,656</u>	<u>\$ 312,444</u>	<u>\$ (1,000,340)</u>	<u>\$ 22,287,760</u>	<u>\$ 1,063,484</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 14 – Internal Notes Receivable/Payable

The City has non interest bearing internal notes receivable and notes payable which are used for various projects and are repaid with grant proceeds. The notes are expected to be repaid within the next year.

Internal notes currently outstanding are as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rates	Original Issue Amount
<i>Governmental Activities</i>				
Lake/Smith Intersection	02/26/04	02/23/05	0%	\$ 251,000
CHIP Grant	10/28/04	10/28/05	0%	181,481
North Jefferson/E. Reagan Intersection	07/15/04	07/12/05	0%	164,644
Airport Ramp	02/26/04	02/23/05	0%	44,406
Airport Hanger	06/30/04	06/28/05	0%	166,667
Ohio Clean Trail	03/25/04	03/22/05	0%	330,000
Ohio Historic/Architectural	03/25/04	03/22/05	0%	8,515
2003 CDBG Grant	10/28/04	10/28/05	0%	97,000
Cops in School	09/24/04	09/27/05	0%	21,461
E. Union Reconstruction	04/29/04	04/26/05	0%	95,000
Weed Cutting Program	07/14/04	07/12/05	0%	1,678
Public Safety E911 Grant	10/28/04	10/28/05	0%	31,713
Certified Local Government Grant	09/24/04	09/27/05	0%	20,000
Intensive Probation Grant	04/29/04	04/26/05	0%	95,960
2004 CHIP Grant	07/14/04	07/12/05	0%	527,500
Airport Grant	04/29/04	04/26/05	0%	56,907
N. State/ S. Broadway Railroad Crossing	07/14/04	07/12/05	0%	81,977
2004 Weed Cutting	07/14/04	07/12/05	0%	<u>7,500</u>
Total				<u>\$ 2,183,409</u>
<i>Business-Type Activities</i>				
Airport Ramp	02/28/03	02/24/04	0%	4,160
Sanitation Vehicle	07/15/04	07/12/05	0%	<u>70,000</u>
Total				<u>\$ 74,160</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Internal note activity for the year ended December 31, 2004, consisted of the following:

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04
Governmental Activities				
2002 Block Grant	\$ 92,000	\$ 0	\$ (92,000)	\$ 0
2003 CDBG Grant	97,000	97,000	(97,000)	97,000
2003 Weed Cutting	5,000	3,000	(6,322)	1,678
2004 Weed Cutting	0	7,500	0	7,500
Airport Vision 100 Grant	0	56,907		56,907
Airport Ramp	35,421	61,545	(52,560)	44,406
Airport Hanger	166,667	166,667	(166,667)	166,667
Certified Local Government	0	20,000		20,000
CHIP Grant	469,644	181,481	(469,644)	181,481
CHIP Grant	0	527,500	0	527,500
Cops in School Grant	46,022	30,439	(55,000)	21,461
E. Union Reconstruction	398,850	95,000	(398,850)	95,000
Intensive Probation 7/03 - 6/04	45,073	16,963	(62,036)	0
Intensive Probation 7/04 - 6/05	0	115,039	(19,079)	95,960
Lake/Smith Intersection	251,000	251,000	(251,000)	251,000
N. Jefferson/E. Reagan Intersection	164,644	164,644	(164,644)	164,644
N. State/S. Broadway Railroad Crossing	0	81,977	0	81,977
ODNR Shade Tree Trust	3,000		(3,000)	0
Ohio Clean Trail Grant	333,000	330,000	(333,000)	330,000
Ohio Historic/Architectural	9,915	8,515	(9,915)	8,515
Public Safety E 911 Grant	0	67,913	(36,200)	31,713
<i>Total Governmental Activities</i>	<u>2,117,236</u>	<u>2,283,090</u>	<u>(2,216,917)</u>	<u>2,183,409</u>
Business-Type Activities				
Airport Hanger	0	28,519	(24,359)	4,160
Sanitation Vehicle	0	70,000	0	70,000
Sanitation Vehicle	0	80,000	(80,000)	0
Recreation Center Equipment	103,000	0	(103,000)	0
<i>Total Business-Type Activities</i>	<u>103,000</u>	<u>178,519</u>	<u>(207,359)</u>	<u>74,160</u>
<i>Internal Notes</i>	<u>\$ 2,220,236</u>	<u>\$ 2,461,609</u>	<u>\$ (2,424,276)</u>	<u>\$ 2,257,569</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

A summary of the internal obligations by fund for the year ended December 31, 2004, are as follows:

Receivable Fund	Payable Fund	Amount
Water Fund	Other Governmental	\$ 1,695,708
Water Fund	Sanitation	70,000
Sanitation Fund	Other Governmental	487,701
Sanitation Fund	Airport	4,160
Total		\$ 2,257,569

Note 15 – Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees and natural disasters. The City has policies for commercial property coverage, boiler and machinery coverage, police liability and an umbrella policy.

The City bonds the Finance Director, Clerk of Courts, and bailiffs.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been significant reduction in coverage from the prior year.

Medical

The City provides health and dental benefits and life insurance to full time employees. Most employees are required to pay 5% of the medical insurance premium. Coverage is provided by a commercial insurance carrier and the City is not exposed to any risks related to health claims.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 16 – Segment Information for Nonmajor Enterprise Funds

The City’s nonmajor enterprise funds are used to account for the operation of the airport and storm water maintenance. Segment information related to these funds is as follows:

	Airport	Storm Water Utility	Total
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current Assets	\$ 226,705	\$ 176,499	\$ 403,204
Capital Assets	2,380,426	164,162	2,544,588
Total Assets	2,607,131	340,661	2,947,792
Liabilities:			
Current Liabilities	13,177	0	13,177
Total Liabilities	13,177	0	13,177
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,380,426	164,162	2,544,588
Unrestricted	213,528	176,499	390,027
Total Net Assets	\$ 2,593,954	\$ 340,661	\$ 2,934,615

**CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

Charges for Services	\$ 0	\$ 173	\$ 173
Rentals	2,505	0	2,505
Other Operating Revenues	51	31	82
Depreciation	(44,777)	(26,820)	(71,597)
Other Operating Expenses	(28,102)	(12,184)	(40,286)
Operating Income	(70,323)	(38,800)	(109,123)
Interest Income	802	0	802
Transfers In	145,005	0	145,005
Change in Net Assets	75,484	(38,800)	36,684
Beginning Net Assets	2,518,470	379,461	2,897,931
Ending Net Assets	\$ 2,593,954	\$ 340,661	\$ 2,934,615

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided (Used) By:			
Operating Activities	\$ (12,420)	\$ 91,251	\$ 78,831
Capital Financing Activities	0	(190,982)	(190,982)
Investing Activities	802	0	802
Noncapital Financing Activities	145,005	0	145,005
Net Increase (Decrease)	133,387	(99,731)	33,656
Beginning Cash and Cash Equivalents	93,026	276,230	369,256
Ending Cash and Cash Equivalents	\$ 226,413	\$ 176,499	\$ 402,912

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 17 – Airport Lease

The City has a 20 year operating lease with Flight Services of Medina, a division of Olson Products. This lease began on January 1, 1995 and terminates on December 31, 2014 with an option to extend the term for an additional five years.

Annual rental income is \$200, and has been prepaid through the year 2005. Under the terms of the operating lease, the lessee is responsible for operating and maintaining the airport facility. However, the City is responsible for making major improvements.

Note 18 – Contingencies

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

The City is defendant in several lawsuits. The outcome of these suits is not presently determinable and counsel believes that the resolution of these matters will not materially affect the City's financial condition.

Note 19 – Recreation Center Joint Operating Agreement

On July 9, 2001, the City entered into a joint operating agreement and lease agreement with the Board of Education of the Medina City School District (the School Board) for the Medina Recreation Center (the Recreation Center).

City has been granted a leasehold interest in the Recreation Center for a term commencing on January 4, 2003 and expiring on June 30, 2052, with an option to renew for an indefinite number of additional five year terms. The lease requires the City to prepay rent in the amount of \$7,500,000, which was fully paid in 2004. These payments have been treated by the City as a capital lease in accordance with Financial Statement Accounting Standards (FASB) #13.

In addition to the initial rent payment, the City is also required to pay annual rent of \$1 each year, and 47.5% of the Recreation Center's custodian, maintenance, and utility expenses which will be initially paid by the School Board and invoiced to the City on a monthly basis. The City and the School Board will also each be required to contribute \$100,000 a year, for the term of the lease, to separate Capital Improvement Funds which may be spent for upkeep of the facilities through mutual agreement of both parties upon the recommendation of an Advisory Committee. However, no contributions to the Capital Improvement Funds are required, by either party, for the first two years of operations, and contributions of only 30%, 60%, and 90% are required for the third, fourth and fifth years, respectively.

The Recreation Center's Advisory Committee will consist of eight members, in which two each will be appointed by the School Board and City and four by election. The Advisory Committee members may serve for an unlimited number of three year terms, and will be responsible for advising the City and School Board regarding scheduling, operating expenses and day-to-day operations of the Recreation Center, as well as, use of the Capital Improvement Funds.

**CITY OF MEDINA
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Pass Through Entity Number</u>	<u>Grant Year</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants/ State's Program	A-F-01-147-1	2002	14.228	\$371
	A-C/F-02-147-1	2003	14.228	87,463
	A-F-03-147-1	2004	14.228	90
	A-C-04-147-1	2005	14.228	3,000
				<u>90,924</u>
HOME Investment Partnerships Program	A-C-02-147-2	2003	14.239	309,790
	A-C-04-147-2	2005	14.239	2,590
				<u>312,380</u>
Total U.S. Department of Housing and Urban Development				403,304
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Passed through the Ohio Department of Public Safety:</i>				
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	1484-DR-103-48790	2003	97.036	<u>23,819</u>
Total U.S. Department of Homeland Security				23,819
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Direct:</i>				
Public Safety Partnership and Community Policing Grants	2002SHWX0208	2004	16.710	<u>44,792</u>
Total U.S. Department of Justice				44,792
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Direct:</i>				
Airport Improvement Program		2003	20.106	<u>189,470</u>
Total U.S. Department of Transportation				189,470
<u>U.S. DEPARTMENT OF THE INTERIOR</u>				
<i>Passed through the Ohio Historic Preservation Office</i>				
Historic Preservation Fund Grants -In-Aid		2003	15.904	10,765
		2004	15.904	6,600
				<u>17,365</u>
Total U.S. Department of the Interior, National Park Service				17,365
TOTAL				<u>\$678,750</u>

The notes to this schedule are an integral part of this schedule.

**CITY OF MEDINA
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Medina
Medina County
132 North Elmwood Avenue
Medina, Ohio 44256

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Medina, Medina County, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the Government's basic financial statements and have issued our report thereon dated March 14, 2006, in which we noted that we were unable to obtain assurance regarding land and other capital assets, net of depreciation, accumulated depreciation, depreciation expense, and invested in capital assets net of related debt. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying Schedule of Findings as item 2004-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2004-002 listed above to be a material weakness. In a separate letter to the City's management dated March 14, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the City's management dated January 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 14, 2006



**Auditor of State
Betty Montgomery**

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

City of Medina
Medina County
132 North Elmwood Avenue
Medina, Ohio 44256

To the City Council:

Compliance

We have audited the compliance of City of Medina, Medina County, 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 apply to each of its major federal program[s] for the year ended December 31, 2004. The summary of auditor's results section of the accompanying Schedule of Findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 of Medina complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

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

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 14, 2006

CITY OF MEDINA
MEDINA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Home Investment Partnerships Program – CFDA# 14.228 Airport Improvement Program CFDA# 20.106
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

FINDING NUMBER 2004-001 (Continued)

Noncompliance Citation (Continued)

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

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

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of the 54 expenditures tested, 24 (44%) were not certified by the Finance Director prior to incurring the obligation. It was also found that none of the exceptions above were utilized for the items found to be in noncompliance. Of the 24 expenditures that were not properly certified, there were 5 instances in which the purchase order was certified after the invoice date, the remaining 19 expenditures had no purchase orders. The City should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

FINDING NUMBER 2004-002

Reportable Condition

Capital Assets:

The City does not maintain comprehensive records to account for capital asset balances, additions, deletions, and accumulated depreciation. The City has also not determined, nor has it recorded, the historical values for several parcels of land owned by the City.

The lack of a comprehensive capital asset accounting system could result in the overstatement or understatement of capital assets, related accumulated depreciation, depreciation expense, and investment in capital assets net of related debt.

We recommend that management:

- A. Develop a centralized policy and comprehensive procedures with appropriate documentation forms, including a form to be completed when capital assets are deleted, which would require approval by the Board of Control prior to the disposition of any capital assets. A copy of the documentation form should be routed to the Finance Department for input into a capital asset record by department and type of asset to permit the preparation of the financial statements. The system should also accurately reflect all current and accumulated depreciation.
- B. Determine and record in the capital asset records the historical cost of all land owned by the City.
- C. Perform a physical count of capital assets to obtain an accurate balance and then perform periodic physical counts at least annually.
- D. Maintain a detailed master capital asset list appropriately sorted which readily supports financial statement preparation (i.e. by class, type, etc.)

3. FINDINGS FOR FEDERAL AWARDS

None.

**CITY OF MEDINA
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5705.41(D) – The City failed to certify the availability of funds for all expenditures.	No	Not Corrected – See Finding Number 2004-001
2003-002	Ohio Rev. Code Sections 5705.14, 5705.14 and 5705.16 – The City transferred monies out of certain funds other than the General Fund contrary to Ohio Rev. Code requirements	Yes	Fully Corrected
2003-003	Ohio Rev. Code Section 9.38 – Certain recreation center daily receipts were not deposited with the Finance Director of designated depository pursuant to the Ohio Rev. Code	No	Partially Corrected – Noncompliance rate reduced from the prior audit. Comment was repeated in the management letter
2003-004	The City does not maintain comprehensive records to account for capital asset balances, additions, deletions, and accumulated depreciation	No	Not Corrected – See Finding Number 2004-002



**Auditor of State
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CITY OF MEDINA

MEDINA 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
MAY 23, 2006**