



**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, 2003, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 construction in progress 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, 2003 (stated at \$1,021,974, \$10,807,854, \$8,900,568, and \$20,970,908, 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 \$7,920,817, \$863,482, \$14,982,552, and \$1,053,268, 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 \$8,064,099 and \$8,167,692, 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 depreciation 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 construction in progress 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and 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 July 22, 2005, 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.

As described in Note 3, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. In addition, as described in Note 3, the City restated December 31, 2002 Net Assets balances of the Governmental Type Activities and Business Type Activities to reflect a correction of an error from prior years.

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 measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Federal Awards Receipts and Expenditures 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 this information 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

July 22, 2005

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(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, 2003.

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

Financial Highlights

Key financial highlights for 2003 are as follows:

- The City's net assets increased \$1.2 million as a result of this year's operations. Net assets of our business-type activities decreased by approximately \$.3 million, or 1.9%, and net assets of governmental activities increased by \$1.5 million, or 6.3%.
- The City did not issue General Obligation Bonds in 2003 and began reducing its overall outstanding debt obligations.
- The taxpayers passed a tax increase in November 2003 which will take effect in January 2004.

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 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 revenues, 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 2003 compared to 2002:

(Table 1)
Net Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$ 24,187,315	\$ 22,417,162	\$ 10,507,355	\$ 12,934,382	\$ 34,694,670	\$ 35,351,544
Capital Assets, Net	11,829,828	19,088,061	29,871,476	27,814,466	41,701,304	46,902,527
Total Assets	<u>36,017,143</u>	<u>41,505,223</u>	<u>40,378,831</u>	<u>40,748,848</u>	<u>76,395,974</u>	<u>82,254,071</u>
Liabilities						
Current and Other Liabilities	6,147,044	5,586,032	1,034,478	1,915,971	7,181,522	7,502,003
Long Term Liabilities						
Due Within One Year	889,852	905,448	1,004,346	1,038,361	1,894,198	1,943,809
Due in More than One Year	3,475,525	3,959,094	22,161,280	21,302,639	25,636,805	25,261,733
Total Liabilities	<u>10,512,421</u>	<u>10,450,574</u>	<u>24,200,104</u>	<u>24,256,971</u>	<u>34,712,525</u>	<u>34,707,545</u>
Net Assets						
Invested in Capital Assets Net of Debt	8,064,099	7,908,726	8,167,692	12,863,466	16,231,791	20,772,192
Restricted						
Debt Service	3,158,137	3,180,628	0	0	3,158,137	3,180,628
Capital Outlay	4,313,914	4,602,864	1,305,000	0	5,618,914	4,602,864
Other Purposes	4,857,645	3,670,071	0	0	4,857,645	3,670,071
Unrestricted (Deficit)	<u>5,110,927</u>	<u>4,635,025</u>	<u>6,706,035</u>	<u>3,628,411</u>	<u>11,816,962</u>	<u>8,263,436</u>
Total Net Assets	<u>\$ 25,504,722</u>	<u>\$ 23,997,314</u>	<u>\$ 16,178,727</u>	<u>\$ 16,491,877</u>	<u>\$ 41,683,449</u>	<u>\$ 40,489,191</u>

The City's *combined* net assets changed from a year ago, *increasing* from \$40.5 million to \$41.7 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 6.25% (\$25.5 million compared to \$24.0 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 \$4.6 million at December 31, 2002 to \$5.1 million at the end of 2003. Restricted net assets, those restricted mainly for capital projects and special purposes such as street cleaning or maintenance increased by \$.9 million. The investments in capital assets, net of debt category increased by \$.2 million.

Net assets in the City's business-type activities decreased by 1.8% (\$16.2 million compared to \$16.5 million) in 2002. The City generally can only use these net assets to finance the continuing operations of the water and refuse operations.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion 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
	2003	2003	2003
Revenues			
<i>Program Revenues:</i>			
Charges for Services	\$ 2,570,141	\$ 8,335,591	\$ 10,905,732
Operating Grants and Contributions	2,371,197	61,393	2,432,590
Total Program Revenues	4,941,338	8,396,984	13,338,322
<i>General Revenue:</i>			
City Income Taxes	3,953,459	435,012	4,388,471
Property Taxes	3,274,063	0	3,274,063
Grants and Contributions	2,063,007	6,904	2,069,911
Interest and Investment Earnings	128,624	9,342	137,966
Other	240,654	24,551	265,205
Total General Revenues	9,659,807	475,809	10,135,616
Total Revenues	14,601,145	8,872,793	23,473,938
Program Expenses			
General Government	4,594,638	0	4,594,638
Security of Persons and Property	5,829,459	0	5,829,459
Public Health	75,290	0	75,290
Community Development	736,993	0	736,993
Transportation	1,154,547	0	1,154,547
Basic Utility	7,577	0	7,577
Leisure Time Activities	467,404	0	467,404
Interest on Long Term Debt	227,829	0	227,829
Water	0	4,465,471	4,465,471
Sanitation	0	2,989,511	2,989,511
Recreation Center	0	1,525,773	1,525,773
Airport	0	166,359	166,359
Storm Sewer	0	38,829	38,829
Total Expenses	13,093,737	9,185,943	22,279,680
Increase (Decrease) in Net Assets	\$ 1,507,408	\$ (313,150)	\$ 1,194,258

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Governmental Activities

The .50% income tax is the largest revenue source for the City. Income tax revenues are allocated based on City ordinance. In 2003, 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, General Purpose Capital, Fire Capital, Computer/Electronic Technology, Unanticipated Capital, Recreation Center, Recreation Center Debt, Recreation Center Capital, Street Resurfacing Capital, Storm Sewer Capital, Street Reconstruction Capital, Black Top Capital, and Curbs and Alleys Capital funds.

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. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost	Net Cost
	2003	2003
General Government	\$ 4,594,638	\$ 3,187,446
Security of Persons and Property	5,829,459	4,065,009
Public Health	75,290	74,019
Community Development	736,993	(91,209)
Transportation	1,154,547	323,126
Basic Utility	7,577	(311)
Lesiure Time	467,404	417,304
Interest and Fiscal Charges	227,829	177,015
<i>Total Expenses</i>	\$ 13,093,737	\$ 8,152,399

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 17.6% of revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 16.2%. The remaining revenues are primarily generated locally through property (22.4%) and income taxes (27.1%).

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Medina County, Ohio
Management's Discussion and Analysis
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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. 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 \$13.9 million and expenditures of \$13.4 million. The General Fund balance increased \$.5 million. The Special Assessment Bond Fund balance decreased by \$11,000 and the Grants Fund balance decreased by \$31,000.

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 \$1,497,565 because some appropriations were not being spent. This occurred due to cost saving actions by City officials and appropriations for contingencies not realized. Actual revenues exceeded original budget revenues by \$1,023,365 due to improving economic climate between the time of the original estimate and the end of the year.

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Capital Asset and Debt Administration

Capital Assets

At the end of 2003, the City had \$41.7 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 2003 balances compared with 2002.

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 1,021,974	\$ 1,021,974	\$ 3,065,568	\$ 3,065,568	\$ 4,087,542	\$ 4,087,542
Construction in Progress	0	0	5,835,000	8,169,794	5,835,000	8,169,794
Buildings and Improvements	6,712,684	7,174,786	8,312,698	7,213,456	15,025,382	14,388,242
Furniture and Equipment	2,256,090	2,404,172	729,921	593,927	2,986,011	2,998,099
Vehicles	1,277,058	1,429,794	140,437	213,988	1,417,495	1,643,782
Infrastructure	562,022	0	11,787,852	8,557,733	12,349,874	8,557,733
Totals	<u>\$11,829,828</u>	<u>\$12,030,726</u>	<u>\$29,871,476</u>	<u>\$ 27,814,466</u>	<u>\$41,701,304</u>	<u>\$ 39,845,192</u>

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

- Construction was completed on the Litchfield-Medina and Bronson water lines at a cost of \$3.1 million and \$.3 million respectively.
- East Union reconstruction project was completed at a cost of nearly \$.5 million.

More detailed information about the City's capital assets is presented in Note 9 to the basic financial statements.

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(Unaudited)

Debt

At December 31, 2003, the City had \$22.8 million in General Obligation Bonds and \$2.3 million in Special Assessment Bonds.

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<i>General Obligation Bonds:</i>						
1987 Parking Improvement Bonds	\$ 64,800	\$ 81,000	\$ 0	\$ 0	\$ 64,800	\$ 81,000
1991 Fire Station	1,015,000	1,160,000	0	0	1,015,000	1,160,000
1997 Street Improvements	320,000	400,000	0	0	320,000	400,000
Various Water Improvement Bonds	0	0	14,260,000	14,870,000	14,260,000	14,870,000
Recreation Center	0	0	7,140,000	7,390,000	7,140,000	7,390,000
	1,399,800	1,641,000	21,400,000	22,260,000	22,799,800	23,901,000
<i>Special Assessment Bonds:</i>						
Various Street Improvements	2,214,000	2,412,000	0	0	2,214,000	2,412,000
Various Parking Improvements	55,200	69,000	0	0	55,200	69,000
Water Line	0	0	75,000	81,000	75,000	81,000
	2,269,200	2,481,000	75,000	81,000	2,344,200	2,562,000
Total	\$ 3,669,000	\$ 4,122,000	\$ 21,475,000	\$ 22,341,000	\$ 25,144,000	\$ 26,463,000

At December 31, 2003, the City had outstanding long-term debt obligations in the amount of \$3.7 million down from \$4.1 million in 2002 for the governmental activities which represents an 11% decrease. The City's business-type activities debt obligation as of December 31, 2003 was \$21.5 million down from \$23.4 million in 2002 which represents a decrease of 8.1%.

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, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 14,920,205	\$ 7,188,368	\$ 22,108,573
Cash with Fiscal Agent	12,203	0	12,203
Receivables:			
Accounts	62,860	1,222,212	1,285,072
Internal Notes Receivable	0	1,915,148	1,915,148
Taxes	3,484,660	20,507	3,505,167
Intergovernmental	2,624,710	109,499	2,734,209
Special Assessments	2,960,797	0	2,960,797
Prepaid Items	121,880	51,621	173,501
Land and Construction in Progress	1,021,974	8,900,568	9,922,542
Other Capital Assets, Net of Depreciation	10,807,854	20,970,908	31,778,762
<i>Total Assets</i>	<u>36,017,143</u>	<u>40,378,831</u>	<u>76,395,974</u>
Liabilities			
Accounts Payable	645,312	285,259	930,571
Intergovernmental Payable	0	575,909	575,909
Internal Notes Payable	1,915,148	0	1,915,148
Accrued Salaries, Wages and Benefits	481,081	173,310	654,391
Accrued Interest Payable	12,203	0	12,203
Deferred Revenue	3,093,300	0	3,093,300
Long Term Liabilities:			
Due Within One Year	889,852	1,004,346	1,894,198
Due In More Than One Year	3,475,525	22,161,280	25,636,805
<i>Total Liabilities</i>	<u>10,512,421</u>	<u>24,200,104</u>	<u>34,712,525</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	8,064,099	8,167,692	16,231,791
Restricted for:			
Capital Outlay	4,313,914	1,305,000	5,618,914
Debt Service	3,158,137	0	3,158,137
Other Purposes	4,857,645	0	4,857,645
Unrestricted	5,110,927	6,706,035	11,816,962
<i>Total Net Assets</i>	<u>\$ 25,504,722</u>	<u>\$ 16,178,727</u>	<u>\$ 41,683,449</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Activities
For the Fiscal Year Ended December 31, 2003

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
General Government	\$ 4,594,638	\$ 989,546	\$ 417,647
Security of Persons and Property	5,829,459	1,527,561	236,889
Public Health	75,290	0	1,271
Community Development	736,993	0	828,202
Transportation	1,154,547	2,386	829,035
Basic Utility	7,577	28	7,860
Lesiure Time	467,404	50,100	0
Interest and Fiscal Charges	227,829	520	50,293
<i>Total Governmental Activities</i>	<u>13,093,737</u>	<u>2,570,141</u>	<u>2,371,197</u>
Business-Type Activities			
Water	4,465,471	4,031,937	0
Sanitation	2,989,511	2,661,076	0
Recreation Center	1,525,773	1,224,577	0
Airport	166,359	0	61,393
Storm Sewer	38,829	418,001	0
<i>Total Business-Type Activities</i>	<u>9,185,943</u>	<u>8,335,591</u>	<u>61,393</u>
<i>Totals</i>	<u>\$ 22,279,680</u>	<u>\$ 10,905,732</u>	<u>\$ 2,432,590</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

Change in Net Assets

Net Assets Beginning of Year

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
\$ (3,187,446)	\$ 0	\$ (3,187,446)
(4,065,009)	0	(4,065,009)
(74,019)	0	(74,019)
91,209	0	91,209
(323,126)	0	(323,126)
311	0	311
(417,304)	0	(417,304)
(177,015)	0	(177,015)
<u>(8,152,399)</u>	<u>0</u>	<u>(8,152,399)</u>
0	(433,534)	(433,534)
0	(328,435)	(328,435)
0	(301,196)	(301,196)
0	(104,966)	(104,966)
0	379,172	379,172
<u>0</u>	<u>(788,959)</u>	<u>(788,959)</u>
<u>(8,152,399)</u>	<u>(788,959)</u>	<u>(8,941,358)</u>
1,463,693	0	1,463,693
1,646,710	0	1,646,710
163,660	0	163,660
1,888,364	435,012	2,323,376
1,736,200	0	1,736,200
328,895	0	328,895
2,063,007	6,904	2,069,911
128,624	9,342	137,966
240,654	24,551	265,205
<u>9,659,807</u>	<u>475,809</u>	<u>10,135,616</u>
1,507,408	(313,150)	1,194,258
<u>23,997,314</u>	<u>16,491,877</u>	<u>40,489,191</u>
<u>\$ 25,504,722</u>	<u>\$ 16,178,727</u>	<u>\$ 41,683,449</u>

City of Medina, Medina County
Balance Sheet
Governmental Funds
December 31, 2003

	General	Special Assessment Bond Retirement	Grants Fund	Other Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 2,240,624	\$ 734,627	\$ 1,082,410	\$ 10,862,544
Cash with Fiscal Agent	0	12,203	0	0
Receivables:				
Trade (Net of Allowance)	19,049	0	0	43,811
Taxes	1,528,643	0	0	1,956,017
Intergovernment	877,396	0	825,849	921,465
Assessments	0	2,960,797	0	0
Due From Other Funds	44,671	0	0	0
Prepaid Items	98,044	0	0	23,836
<i>Total Assets</i>	<u>\$ 4,808,427</u>	<u>\$ 3,707,627</u>	<u>\$ 1,908,259</u>	<u>\$ 13,807,673</u>
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 116,807	\$ 0	\$ 88,611	\$ 439,894
Internal Notes Payable	0	0	1,203,632	711,516
Accrued Salaries, Wages and Benefits	246,520	0	2,900	231,661
Matured Interest Payable	0	12,203	0	0
Due to Other Funds	0	0	0	44,671
Deferred Revenue	1,987,073	2,960,797	679,480	2,490,550
Notes Payable	0	0	0	96,729
<i>Total Liabilities</i>	<u>2,350,400</u>	<u>2,973,000</u>	<u>1,974,623</u>	<u>4,015,021</u>
Fund Balance				
Reserved for Encumbrances	263,439	0	981,213	1,261,613
Reserved for Prepaid Items	98,044	0	0	0
Unreserved:				
Undesignated, Reported In:				
General Fund	2,096,544	0	0	0
Special Revenue Funds	0	0	(1,047,577)	5,620,849
Debt Service Fund	0	734,627	0	593,446
Capital Projects Funds	0	0	0	2,316,744
<i>Total Fund Balances</i>	<u>2,458,027</u>	<u>734,627</u>	<u>(66,364)</u>	<u>9,792,652</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 4,808,427</u>	<u>\$ 3,707,627</u>	<u>\$ 1,908,259</u>	<u>\$ 13,807,673</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 December 31, 2003*

Total Governmental Funds	Total Governmental Fund Balances	\$ 12,918,942
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$ 14,920,205	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,829,828
12,203		
62,860	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	
3,484,660	Delinquent Property Taxes	117,049
2,624,710	Intergovernmental	1,946,754
2,960,797	Special Assessments	<u>2,960,797</u>
44,671		5,024,600
121,880		
<u>\$ 24,231,986</u>	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	(1,399,800)
\$ 645,312	Special Assessment Bonds	(2,269,200)
1,915,148	Sick and Vacation	<u>(599,648)</u>
481,081		(4,268,648)
12,203		
44,671		
8,117,900	<i>Net Assets of Governmental Activities</i>	<u>\$ 25,504,722</u>
96,729		
11,313,044		
2,506,265		
98,044		
2,096,544		
4,573,272		
1,328,073		
2,316,744		
12,918,942		
<u>\$ 24,231,986</u>		

City of Medina, Medina County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2003

	General	Special Assessment Bond Retirement	Grants Fund
Revenues			
Local Taxes	\$ 3,452,692	\$ 0	\$ 0
Intergovernmental Revenue	1,575,640	0	338,150
Fees Licenses and Permits	1,367,049	0	0
Special Assessments	0	348,723	0
Charges for Services	30,132	0	0
Interest Income	125,409	0	0
Rentals	13,038	0	0
Gifts and Donations	2,170	0	23,655
Miscellaneous	10,798	0	4,519
<i>Total Revenues</i>	<u>6,576,928</u>	<u>348,723</u>	<u>366,324</u>
Expenditures			
General Government	3,213,885	5,228	60,966
Security of Persons and Property	2,294,467	0	482
Public Health	72,058	0	111
Community Development	480,565	0	224,839
Transportation	0	0	12,393
Basic Utility	0	0	0
Lesiure Time	0	0	0
Capital Outlay	19,598	0	98,488
Debt Service:			
Principal Retirement	0	211,800	0
Interest and Fiscal Charges	967	142,610	0
<i>Total Expenditures</i>	<u>6,081,540</u>	<u>359,638</u>	<u>397,279</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	495,388	(10,915)	(30,955)
Other Financing Sources (Uses)			
Transfers In	0	0	0
Transfers Out	(40,438)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(40,438)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	454,950	(10,915)	(30,955)
<i>Fund Balance/Net Assets Beginning of Year (Restated, See Note 3)</i>	<u>2,003,077</u>	<u>745,542</u>	<u>(35,409)</u>
<i>Fund Balance/Net Assets End of Year</i>	<u>\$ 2,458,027</u>	<u>\$ 734,627</u>	<u>\$ (66,364)</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, 2003

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$ 519,608
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$ 3,858,333	\$ 7,311,025	Governmental funds report capital outlays as expenditures.	
1,369,293	3,283,083	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.	
994,710	2,361,759	Capital Asset Additions Net of Depreciation	(200,898)
0	348,723		
165,212	195,344	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
3,215	128,624	Delinquent Property Taxes	30,983
0	13,038	Intergovernmental	960,925
44,720	70,545	Special Assessments	<u>(273,010)</u>
154,792	170,109		718,898
6,590,275	13,882,250	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
763,709	4,043,788	Bond Principal	453,000
3,270,436	5,565,385	Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.	
2,023	74,192	Compensated Absences	<u>16,800</u>
0	705,404		
973,559	985,952	Change in Net Assets of Governmental Activities	<u>\$ 1,507,408</u>
7,577	7,577		
465,275	465,275		
716,154	834,240		
241,200	453,000		
84,252	227,829		
6,524,185	13,362,642		
66,090	519,608		
40,438	40,438		
0	(40,438)		
40,438	0		
106,528	519,608		
9,686,124	12,399,334		
\$ 9,792,652	\$ 12,918,942		

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, 2003*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 3,037,593	\$ 3,694,020	\$ 3,620,568	\$ (73,452)
Intergovernmental Revenue	1,010,587	1,124,750	1,229,534	104,784
Fees Licenses and Permits	1,055,538	1,265,640	1,427,944	162,304
Charges for Services	45,685	55,636	50,626	(5,010)
Miscellaneous	254,054	189,781	98,150	(91,631)
<i>Total Revenues</i>	<u>5,403,457</u>	<u>6,329,827</u>	<u>6,426,822</u>	<u>96,995</u>
Expenditures				
General Government	3,286,134	3,682,182	2,811,305	870,877
Security of Persons and Property	2,737,477	3,007,175	2,510,124	497,051
Public Health	118,863	159,954	103,579	56,375
Community Development	537,837	525,317	485,131	40,186
Capital Outlay	21,483	52,674	19,598	33,076
Debt Service:				
Principal Retirement	20,000	20,000	20,000	0
Interest and Fiscal Charges	967	967	967	0
<i>Total Expenditures</i>	<u>6,722,761</u>	<u>7,448,269</u>	<u>5,950,704</u>	<u>1,497,565</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,319,304)	(1,118,442)	476,118	1,594,560
Other Financing Sources (Uses)				
Other Financing Sources	193,526	235,000	229,058	(5,942)
Other Financing Uses	(132,543)	(255,532)	(120,914)	134,618
Advances Out	(50,260)	(16,500)	(45,850)	(29,350)
Transfers Out	(40,438)	(40,438)	(40,438)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(29,715)</u>	<u>(77,470)</u>	<u>21,856</u>	<u>99,326</u>
<i>Net Change in Fund Balance</i>	(1,349,019)	(1,195,912)	497,974	1,693,886
<i>Fund Balance/Net Assets Beginning of Year</i>	383,391	383,391	383,391	0
Prior Year Encumbrances Appropriated	564,215	564,215	564,215	0
<i>Fund Balance/Net Assets End of Year</i>	<u>\$ (401,413)</u>	<u>\$ (248,306)</u>	<u>\$ 1,445,580</u>	<u>\$ 1,693,886</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Grants Fund
 For the Fiscal Year Ended December 31, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental Revenue	\$ 225,000	\$ 140,000	\$ 230,516	\$ 90,516
Miscellaneous	40,000	40,000	23,655	(16,345)
<i>Total Revenues</i>	265,000	180,000	254,171	74,171
Expenditures				
General Government	37,123	75,762	75,070	692
Public Health	0	111	111	0
Community Development	125,333	589,156	569,187	19,969
Transportation	34,039	43,671	307,984	(264,313)
Lesiure Time	0	17,540	333,000	(315,460)
Capital Outlay	0	687,705	98,488	589,217
Principal Retirement	357,000	1,250,332	1,184,333	65,999
<i>Total Expenditures</i>	553,495	2,664,277	2,568,173	96,104
<i>Excess of Revenues Over (Under) Expenditures</i>	(288,495)	(2,484,277)	(2,314,002)	170,275
Other Financing Sources (Uses)				
Proceeds of Notes	0	650,000	1,342,038	692,038
Other Financing Sources	0	0	4,519	4,519
<i>Total Other Financing Sources (Uses)</i>	0	650,000	1,346,557	696,557
<i>Net Change in Fund Balance</i>	(288,495)	(1,834,277)	(967,445)	866,832
<i>Fund Balance/Net Assets Beginning of Year</i>	981,410	981,410	981,410	0
Prior Year Encumbrances Appropriated	162,388	162,388	162,388	0
<i>Fund Balance/Net Assets End of Year</i>	\$ 855,303	\$ (690,479)	\$ 176,353	\$ 866,832

See accompanying notes to the basic financial statements.

City of Medina, Medina County

Statement of Net Assets

Proprietary Funds

December 31, 2003

	Business-Type Activities - Enterprise Funds				
	Water	Sanitation	Recreation Center	NonMajor	Total
Assets					
Current Assets					
Equity in Pooled Cash and Investments	\$ 3,854,532	\$ 538,011	\$ 2,185,570	\$ 610,255	\$ 7,188,368
Receivables					
Trade (Net of Allowance)	643,170	475,193	0	103,849	1,222,212
Internal Notes Receivable	1,728,375	491,861	0	0	2,220,236
Taxes	0	0	20,507	0	20,507
Intergovernmental	0	109,499	0	0	109,499
Prepaid Items	23,807	14,722	13,092	0	51,621
<i>Total Current Assets</i>	<u>6,249,884</u>	<u>1,629,286</u>	<u>2,219,169</u>	<u>714,104</u>	<u>10,812,443</u>
Non Current Assets					
Capital Assets					
Land and Construction in Progress	1,228,866	0	5,835,000	1,836,702	8,900,568
Other Capital Assets, Net of Depreciation	20,138,239	244,168	0	588,501	20,970,908
<i>Total Non Current Assets</i>	<u>21,367,105</u>	<u>244,168</u>	<u>5,835,000</u>	<u>2,425,203</u>	<u>29,871,476</u>
<i>Total Assets</i>	<u>27,616,989</u>	<u>1,873,454</u>	<u>8,054,169</u>	<u>3,139,307</u>	<u>40,683,919</u>
Liabilities					
Current Liabilities					
Accounts Payable	111,356	114,874	12,835	46,194	285,259
Intergovernmental Payable	0	575,909	0	0	575,909
Internal Notes Payable	0	0	103,000	202,088	305,088
Accrued Salaries, Wages and Benefits	50,413	59,223	63,381	293	173,310
<i>Total Current Liabilities</i>	<u>161,769</u>	<u>750,006</u>	<u>179,216</u>	<u>248,575</u>	<u>1,339,566</u>
Non Current Liabilities					
Due Within One Year	679,926	54,243	270,177	0	1,004,346
Due In More Than One Year	15,256,153	15,306	6,889,821	0	22,161,280
<i>Total Non Current Liabilities</i>	<u>15,936,079</u>	<u>69,549</u>	<u>7,159,998</u>	<u>0</u>	<u>23,165,626</u>
<i>Total Liabilities</i>	<u>16,097,848</u>	<u>819,555</u>	<u>7,339,214</u>	<u>248,575</u>	<u>24,505,192</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	5,498,321	244,168	0	2,425,203	8,167,692
Restricted for Capital Outlay	0	0	1,305,000	0	1,305,000
Unrestricted	6,020,820	809,731	(590,045)	465,529	6,706,035
<i>Total Net Assets</i>	<u>\$ 11,519,141</u>	<u>\$ 1,053,899</u>	<u>\$ 714,955</u>	<u>\$ 2,890,732</u>	<u>\$ 16,178,727</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended December 31, 2003

Business-Type Activities - Enterprise Funds					
	Water	Sanitation	Recreation Center	NonMajor	Total
Operating Revenues					
Local Taxes	\$ 0	\$ 0	\$ 14,208	\$ 0	\$ 14,208
Special Assessment	6,904	0	0	0	6,904
Charges for Services	4,031,937	2,661,076	1,224,577	418,001	8,335,591
Rentals	0	0	0	2,267	2,267
Other	20,479	1,275	0	530	22,284
<i>Total Operating Revenues</i>	<u>4,059,320</u>	<u>2,662,351</u>	<u>1,238,785</u>	<u>420,798</u>	<u>8,381,254</u>
Operating Expenses					
Personal Services	948,735	1,094,298	1,024,951	22,684	3,090,668
Contractual Service	0	505,646	0	61,810	567,456
Materials and Supplies	2,066,498	1,099,981	179,622	0	3,346,101
Transportation	0	0	0	58,303	58,303
Depreciation	701,736	289,586	0	61,946	1,053,268
Other	3,457	0	0	445	3,902
<i>Total Operating Expenses</i>	<u>3,720,426</u>	<u>2,989,511</u>	<u>1,204,573</u>	<u>205,188</u>	<u>8,119,698</u>
<i>Operating Income (Loss)</i>	338,894	(327,160)	34,212	215,610	261,556
Non Operating Revenues (Expenses)					
Intergovernmental Revenue	0	0	0	61,393	61,393
Municipal Income Tax	0	0	420,804	0	420,804
Interest Income	9,342	0	0	0	9,342
Interest Expense	(745,045)	0	(321,200)	0	(1,066,245)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(735,703)</u>	<u>0</u>	<u>99,604</u>	<u>61,393</u>	<u>(574,706)</u>
<i>Change in Net Assets</i>	(396,809)	(327,160)	133,816	277,003	(313,150)
<i>Net Assets at Beginning of Year (Restated, See Note 3)</i>	<u>11,915,950</u>	<u>1,381,059</u>	<u>581,139</u>	<u>2,613,729</u>	<u>16,491,877</u>
<i>Net Assets and the End of the Year</i>	<u>\$ 11,519,141</u>	<u>\$ 1,053,899</u>	<u>\$ 714,955</u>	<u>\$ 2,890,732</u>	<u>\$ 16,178,727</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 June 30, 2003

	Business-Type Activities - Enterprise Funds				
	Water	Sanitation	Recreation Center	NonMajor	Total
Cash Flows From Operating Activities					
Cash Received from Customers	\$ 4,020,809	\$ 2,563,209	\$ 1,238,785	\$ 316,949	\$ 8,139,752
Cash Paid for Goods and Services	(2,390,253)	(1,060,556)	(222,157)	(89,083)	(3,762,049)
Cash Paid to Employees	(954,010)	(1,083,177)	(1,022,191)	(22,391)	(3,081,769)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>676,546</u>	<u>419,476</u>	<u>(5,563)</u>	<u>205,475</u>	<u>1,295,934</u>
Cash Flows From Non-Capital Financing Activities					
Income Tax	0	0	487,589	0	487,589
Grants	0	0	0	61,393	61,393
<i>Net Cash Provided By (Used For) Non-Capital Activities</i>	<u>0</u>	<u>0</u>	<u>487,589</u>	<u>61,393</u>	<u>548,982</u>
Cash Flows From Investing Activities					
Interest on Investments	9,342	0	0	0	9,342
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>9,342</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,342</u>
Cash Flows From Capital and Related Activities					
Proceeds from Bonds	1,583,180	0	0	0	1,583,180
Proceeds from Notes	0	0	0	256,731	256,731
Payments for Capital Acquisitions	(1,973,397)	(136,881)	(1,000,000)	0	(3,110,278)
Principal Payments on Notes	(653,158)	0	(1,052,000)	(144,707)	(1,849,865)
Interest Paid on Bonds	(745,045)	0	(321,200)	0	(1,066,245)
<i>Net Cash Provided By (Used For) Capital and Related Financing Activities</i>	<u>(1,788,420)</u>	<u>(136,881)</u>	<u>(2,373,200)</u>	<u>112,024</u>	<u>(4,186,477)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(1,102,532)</u>	<u>282,595</u>	<u>(1,891,174)</u>	<u>378,892</u>	<u>(2,332,219)</u>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>4,957,064</u>	<u>255,416</u>	<u>4,076,744</u>	<u>231,363</u>	<u>9,520,587</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 3,854,532</u>	<u>\$ 538,011</u>	<u>\$ 2,185,570</u>	<u>\$ 610,255</u>	<u>\$ 7,188,368</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities					
Operating Income (Loss)	\$ 338,894	\$ (327,160)	\$ 34,212	\$ 215,610	\$ 261,556
Adjustments					
Depreciation Expense	701,736	289,586	0	61,946	1,053,268
(Increase) Decrease in Assets:					
Accounts Receivable	(63,826)	10,357	0	(103,849)	(157,318)
Intergovernmental Receivable	0	(109,499)	0	0	(109,499)
Due from Other Funds	25,315	0	0	0	25,315
Prepays	(23,342)	(14,722)	(13,092)	0	(51,156)
Inventory	3,355	0	0	0	3,355
Increase (Decrease) in Liabilities:					
Accounts Payable	(183,511)	53,958	(29,443)	31,475	(127,521)
Intergovernmental Payable	0	575,909	0	0	575,909
Due to Other Funds	(116,800)	(70,074)	0	0	(186,874)
Accrued Salaries, Wages and Benefits	(5,275)	11,121	2,760	293	8,899
<i>Total Adjustments</i>	<u>337,652</u>	<u>746,636</u>	<u>(39,775)</u>	<u>(10,135)</u>	<u>1,034,378</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 676,546</u>	<u>\$ 419,476</u>	<u>\$ (5,563)</u>	<u>\$ 205,475</u>	<u>\$ 1,295,934</u>

See accompanying notes to the basic financial statements.

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City of Medina, Medina County
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003

	Private Purpose Trust	
	Tricentennial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 6,182	\$ 1,120,967
<i>Total Assets</i>	<u>\$ 6,182</u>	<u>\$ 1,120,967</u>
Liabilities		
Accounts Payable	\$ 0	\$ 1,179
Undistributed Monies	0	1,119,788
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 1,120,967</u>
Net Assets		
Held in Trust for Tricentennial	<u>\$ 6,182</u>	

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2003

	Private Purpose Trust Tricentennial
Additions	
Miscellaneous	\$ 199
Deductions	0
Change in Net Assets	199
Net Assets Beginning of Year	5,983
Net Assets End of Year	\$ 6,182

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, 2003

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, 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 business-type activities. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its enterprise funds and business type activities provided they do not conflict with or contradict GASB pronouncements. 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, 2003

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, 2003

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.

Grants Fund – The grants fund accounts for financial resources whose use is restricted by grant agreements. These resources are primarily provided by granting agencies such as other governments and private foundations.

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 sanitation service. 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 funds accounts for money held in trust for the tricentennial

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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.

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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. 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 thirty 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 7). 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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 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, 2003, but which were levied to finance year 2004 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. None of these supplemental appropriations had any significant effect on the original appropriations. 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.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003, investments were limited to certificates of deposit and STAROhio.

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, 2003.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$125,409, which includes \$107,953, 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.

Prepays

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording the current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

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. Interest incurred during the construction of enterprise capital assets is also capitalized.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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:

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 and Equipment	10 - 15 Years	10 - 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 "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.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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, compensated absences, and contractually required pension contributions 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.

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 and prepaids 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.

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 2003.

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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.

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 2003.

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 – Change in Accounting Principles and Restatement of Prior Year Fund Equity

Changes in Accounting Principles For fiscal year 2003, the City has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Restatement of Fund Balance The following describes the transition from governmental fund balance to net assets of the governmental activities.

	General Fund	Grants Fund	Special Assessment Debt	Other Governmental	Governmental Activities
Fund Balances,					
December 31, 2002	\$ 1,517,281	\$ (35,409)	\$ 745,542	\$ 13,006,986	\$ 15,234,400
Fund Reclassifications	(860)	0	0	(2,353,892)	(2,354,752)
Adjustments	486,656	0	0	(966,970)	(480,314)
	<u>\$ 2,003,077</u>	<u>\$ (35,409)</u>	<u>\$ 745,542</u>	<u>\$ 9,686,124</u>	<u>12,399,334</u>
GASB 34 Adjustments:					
Capital Assets					12,030,726
Compensated Absences					(616,451)
Long Term (Deferred) Assets					4,305,705
Long Term Liabilities					<u>(4,122,000)</u>
Governmental Activities Net Assets, December 31, 2002					<u>\$ 23,997,314</u>

The following is the restatement of enterprise funds:

	Water Fund	Sanitation Fund	Recreation Center	NonMajor Funds	Business-Type Activities
Retained Earnings					
December 31, 2002	\$ 12,165,794	\$ 1,381,059	\$ (556,213)	\$ 2,613,729	\$ 15,604,369
Fund Reclassifications	1,510,156	0	657,038	0	2,167,194
Long Term Debt	(1,760,000)	0	0	0	(1,760,000)
Adjustments	0	0	480,314	0	480,314
Business-Type Activities					
Net Assets, December 31, 2002	<u>\$ 11,915,950</u>	<u>\$ 1,381,059</u>	<u>\$ 581,139</u>	<u>\$ 2,613,729</u>	<u>\$ 16,491,877</u>

(1) This debt is for a water project that was previously in the governmental funds.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Fund reclassifications at December 31, 2002 were as follows:

	Governmental Funds	Enterprise Funds
Internal Service Rotary	\$ (860)	\$ 0
Expendable Trust	(437,032)	0
Recreation Center Debt Service	(657,038)	657,038
Shade Tree Trust	10,184	0
Cemetery Investment Funds	240,150	0
Water Capital Projects	(1,510,156)	1,510,156
	\$ (2,354,752)	\$ 2,167,194

Adjustments are transfers disallowed in the 2002 year end that were deemed legal by the court and recorded.

Note 4 – Fund Deficits/Noncompliance

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

	Deficit Fund Balance
Grants Fund	\$ 66,364
Nonmajor Governmental Funds:	
Issue 2	288,233
Special Assessment	4,676
Police Pension	394

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 operating transfers when cash is required, not when accruals occur.

Contrary to Revised Code Section 5705.41(D), the City did not encumber all commitments required by Ohio law.

Contrary to Revised Code Section 9.38, the City did not deposit public monies with the City Finance Director or designated depository within 24 hours.

Contrary to Revised Code Section 5705.14, 5705.15, and 5705.16, the City failed to obtain the required authorizations for transfers made out of funds other than the General Fund.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 Auditor 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, 2003

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 \$11,836,190 and the bank balance was \$12,229,981. Of the bank balance:

1. \$400,000 of the bank balance was covered by depository insurance; and
2. \$11,829,981 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, 2003 in excess of 110% 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, 2003

	Carrying Value	Fair Value
Investment in State Treasurer's Investment Pool	\$ 11,411,934	\$ 11,411,934
	\$ 11,411,934	\$ 11,411,934

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 and Major Special Revenue Funds are 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 and the Grants Fund.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Net Change in Fund Balance

	General Fund	Grants Fund
GAAP Basis (as reported)	\$ 454,950	\$ (30,955)
Adjustments:		
Net adjustment for revenue accruals	(150,106)	(107,634)
Other financing sources	229,058	0
Notes issued	0	1,342,038
Net adjustment for expenditure accruals	316,166	81,884
Advance out	(45,850)	0
Principal retirement	0	(1,184,333)
Encumbrances	(306,244)	(1,068,445)
Budget basis	\$ 497,974	\$ (967,445)

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, 2003, consisted of the following:

Transfer Out	Transfer In	Amount
General Fund	Other Governmental	\$ 40,438

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, 2003, all interfund payables outstanding are anticipated to be repaid in 2004.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Interfund obligations for the year ended December 31, 2003, consisted of the following:

<u>Due from Other Funds</u>	<u>Due To Other Funds</u> Other <u>Governmental</u>
General	\$ 44,671
Total	<u>\$ 44,671</u>

Note 8 – Receivables

Receivables at December 31, 2003, consisted of taxes, 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 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. 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, 2003 was \$9.40 per \$1,000 of assessed value. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$6.41 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$7.00 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 2003 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, 2003

Real Property - 2003 Valuation

Residential/agricultural	\$ 358,498,320	69.20%
Commercial/industrial	<u>159,558,220</u>	<u>30.80%</u>
	<u>\$ 518,056,540</u>	<u>100.00%</u>

Tangible Personal Property - 2003 Valuation

General and public utilities	<u>\$ 358,498,320</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, 2003. 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 2003 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. In 2003, the income tax rate was .5%, but was increased to 1.25% effective January 1, 2004. 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 25% of the .75 increase.

Income tax revenues are allocated based on City ordinance. In 2003, 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, 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, 2003

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Homestead/Rollback	\$ 320,498
Estate Tax	120,090
Auto Registration	90,083
Gasoline Tax	267,434
Local Government	420,689
Court Fees	155,231
Prisoner Fees	107,374
Grants	<u>1,143,311</u>
Total	<u>\$ 2,624,710</u>

Taxes Receivables

A summary of taxes receivables follows:

	<u>Amount</u>
Governmental Activities:	
Real Estate Tax	\$ 3,210,349
Municipal Income Tax	<u>274,311</u>
Total	<u>\$ 3,484,660</u>
Business-Type Activities	
Municipal Income Tax	<u>\$ 20,507</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 9 – Capital Assets

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

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,021,974	\$ 0	\$ 0	\$ 1,021,974
Construction in Progress	0	468,974	(468,974)	0
Total Capital Assets, not being depreciated	1,021,974	468,974	(468,974)	1,021,974
<i>Capital Assets, being depreciated:</i>				
Buildings	4,520,431	0	0	4,520,431
Improvements	4,961,299	33,038	0	4,994,337
Furniture and Equipment	4,753,184	47,422	0	4,800,606
Vehicles	3,831,173	0	0	3,831,173
Infrastructure				
Roads	0	541,961	0	541,961
Storm Sewers	0	24,011	0	24,011
Traffic Signals	0	16,152	0	16,152
Total Capital Assets, being depreciated	18,066,087	662,584	0	18,728,671
Less Accumulated Depreciation:				
Buildings	(1,713,243)	(94,929)	0	(1,808,172)
Improvements	(593,701)	(400,211)	0	(993,912)
Furniture and Equipment	(2,349,012)	(195,504)	0	(2,544,516)
Vehicles	(2,401,379)	(152,736)	0	(2,554,115)
Infrastructure				
Roads	0	(18,065)	0	(18,065)
Storm Sewers	0	(960)	0	(960)
Traffic Signals	0	(1,077)	0	(1,077)
Total Accumulated Depreciation	(7,057,335)	(863,482)	0	(7,920,817)
Total Capital Assets being depreciated, net	11,008,752	(200,898)	0	10,807,854
Governmental Activities Capital Assets, Net	\$ 12,030,726	\$ 268,076	\$ (468,974)	\$ 11,829,828

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance 12/31/2002	Additions	Reductions	Balance 12/31/2003
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 3,065,568	\$ 0	\$ 0	\$ 3,065,568
Construction in Progress	8,169,794	1,131,571	(3,466,365)	5,835,000
Total Capital Assets, not being depreciated	11,235,362	1,131,571	(3,466,365)	8,900,568
<i>Capital Assets, being depreciated:</i>				
Buildings	2,902,821	1,583,180	0	4,486,001
Improvements	13,314,895	0	0	13,314,895
Furniture and Equipment	2,276,650	395,527	0	2,672,177
Vehicles	2,030,545	0	0	2,030,545
Infrastructure				
Water Lines	9,983,477	3,466,365	0	13,449,842
Total Capital Assets, being depreciated	30,508,388	5,445,072	0	35,953,460
Less Accumulated Depreciation:				
Buildings	(1,033,789)	(81,119)	0	(1,114,908)
Improvements	(7,970,471)	(402,819)	0	(8,373,290)
Furniture and Equipment	(1,682,723)	(259,533)	0	(1,942,256)
Vehicles	(1,816,557)	(73,551)	0	(1,890,108)
Infrastructure				
Water Lines	(1,425,744)	(236,246)	0	(1,661,990)
Total Accumulated Depreciation	(13,929,284)	(1,053,268)	0	(14,982,552)
Total Capital Assets being depreciated, net	16,579,104	4,391,804	0	20,970,908
Business-Type Activities Capital Assets, Net	\$ 27,814,466	\$ 5,523,375	\$ (3,466,365)	\$ 29,871,476

Depreciation expense was charged to programs as follows:

<i>Governmental Activities:</i>	
General Government	\$ 842,919
Transportation	19,142
Security of Persons	1,421
Total	<u>\$ 863,482</u>
<i>Business-Type Activities:</i>	
Water	\$ 701,736
Sanitation	289,586
Airport	61,946
Total	<u>\$ 1,053,268</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS were \$530,338 for December 31, 2003 and \$757,274 and \$676,994 for years ended December 31, 2002 and 2001 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 2003 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 \$352,973 and \$250,801 for the year ending December 31, 2003, \$330,728 and \$232,075 for the year ended December 31, 2002, \$394,098 and \$219,783 for the year ended December 31, 2001. The full amount has been contributed for 2003, 2002, and 2001.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 2003, member and employer contribution rates for all three plans for local government employer units were 13.55% of covered payroll; 5% was the portion that was used to fund health care for the year, which amounted to \$193,274. The public safety employer rate was 16.70% and 5% was used to fund health care for the year, which amounted to \$1,964.

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 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 364,881.

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 2003. 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.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

The City's actual contributions for 2003 that were used to fund post-employment benefits were \$140,130 for police and \$81,009 for fire. The OP&F's total health care expense for the year ended December 31, 2003 was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 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, 2003

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	1983	2003	5.30% to 9.00%	39,556
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>\$ 22,429,556</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
2004	\$ 241,200	\$ 61,373	\$ 302,573	\$ 825,000	\$ 953,403	\$ 1,778,403
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
2009-2013	290,000	0	290,000	5,230,000	3,555,287	8,785,287
2014-2018	0	0	0	6,295,000	2,304,451	8,599,451
2019-2023	0	0	0	5,470,000	652,534	6,122,534
Total	<u>\$ 1,399,800</u>	<u>\$ 124,506</u>	<u>\$ 1,524,306</u>	<u>\$ 21,400,000</u>	<u>\$ 10,971,262</u>	<u>\$ 32,371,262</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Special Assessment Bonds

Outstanding special assessment bonds consist of street and utility improvements which are payable from the proceeds of tax assessments against individual property owners.

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
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>\$ 3,855,146</u>
Business-Type Activities				
Water Line	1988	2013	5.30% to 9.00%	<u>\$ 79,444</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
2004	\$ 191,800	\$ 131,261	\$ 323,061	\$ 6,000	\$ 4,018	\$ 10,018
2005	201,800	120,055	321,855	6,000	3,692	9,692
2006	206,800	108,275	315,075	7,000	3,368	10,368
2007	222,800	96,166	318,966	7,000	2,990	9,990
2008	214,000	82,971	296,971	7,000	2,612	9,612
2009-2013	1,027,000	222,768	1,249,768	42,000	6,846	48,846
2014-2015	205,000	14,713	219,713	0		0
Total	<u>\$ 2,269,200</u>	<u>\$ 776,209</u>	<u>\$ 3,045,409</u>	<u>\$ 75,000</u>	<u>\$ 23,526</u>	<u>\$ 98,526</u>

Loan Payable

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.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

Year Ending December 31,	Loan Payable		
	Business-Type Activities		
	Principal	Interest	Total
2004	\$ 51,720	\$ 69,544	\$ 121,264
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
2009-2013	357,514	254,723	612,237
2014-2018	449,893	162,340	612,233
2019-2022	442,276	59,393	501,669
Total	\$ 1,533,784	\$ 801,961	\$ 2,335,745

Changes in Long Term Liabilities

Long term liability activity for the year ended December 31, 2003 was as follows:

	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Due Within One Year
Governmental Activities					
<i>General Obligation Bonds</i>					
Parking Improvements	\$ 81,000	\$ 0	\$ (16,200)	\$ 64,800	\$ 16,200
Fire Station	1,160,000	0	(145,000)	1,015,000	145,000
Street Improvements	400,000	0	(80,000)	320,000	80,000
<i>Total General Obligation Bonds</i>	<u>1,641,000</u>	<u>0</u>	<u>(241,200)</u>	<u>1,399,800</u>	<u>241,200</u>
<i>Special Assessment Bonds</i>					
Street Improvements	35,000	0	(35,000)	0	0
Parking Improvements	69,000	0	(13,800)	55,200	13,800
Street Improvements	265,000	0	(20,000)	245,000	25,000
Street Improvements	490,000	0	(35,000)	455,000	40,000
Street Improvements	90,000	0	(15,000)	75,000	15,000
Street Improvements	775,000	0	(45,000)	730,000	50,000
Street Improvements	660,000	0	(40,000)	620,000	40,000
Street Improvements	97,000	0	(8,000)	89,000	8,000
<i>Total Special Assessment Bonds</i>	<u>2,481,000</u>	<u>0</u>	<u>(211,800)</u>	<u>2,269,200</u>	<u>191,800</u>
Compensated Absences	616,448	435,648	(452,448)	599,648	456,852
Total Governmental Long Term Liabilities	<u>\$ 4,738,448</u>	<u>\$ 435,648</u>	<u>\$ (905,448)</u>	<u>\$ 4,268,648</u>	<u>\$ 889,852</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Due Within One Year
Business-Type Activities					
<i>General Obligation Bonds</i>					
Water Improvements	\$ 60,000	\$ 0	\$ (60,000)	\$ 0	\$ 0
Water Improvements	650,000	0	(50,000)	600,000	50,000
Recreation Center	4,755,000	0	(170,000)	4,585,000	175,000
Water Improvements	8,080,000	0	(285,000)	7,795,000	295,000
Recreation Center	2,635,000	0	(80,000)	2,555,000	85,000
Water Improvements	6,080,000	0	(215,000)	5,865,000	220,000
<i>Total General Obligation Bonds</i>	<u>22,260,000</u>	<u>0</u>	<u>(860,000)</u>	<u>21,400,000</u>	<u>825,000</u>
<i>Special Assessment Bonds</i>					
Water Line	81,000	0	(6,000)	75,000	6,000
<i>Total Special Assessment Bonds</i>	<u>81,000</u>	<u>0</u>	<u>(6,000)</u>	<u>75,000</u>	<u>6,000</u>
Loan Payable	0	1,583,180	(49,396)	1,533,784	51,720
Compensated Absences	166,990	112,817	(122,965)	156,842	121,626
Total Business-Type Activities Long Term Liabilities	<u>\$ 22,507,990</u>	<u>\$ 1,695,997</u>	<u>\$ (1,038,361)</u>	<u>\$ 23,165,626</u>	<u>\$ 1,004,346</u>

Note 14 – Note Payable

The City has a bank note payable for a leaf machine. The note activity for the year ended December 31, 2003, consisted of the following:

	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003
Other Governmental Funds				
4.75% due 11/15/06				
Leaf Machine	\$ 126,091	\$ 0	\$ (29,362)	\$ 96,729

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 15 – 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	02/28/03	02/24/04	0%	\$ 251,000
Probation Service	07/22/03	07/14/04	0%	45,073
CHIP Grant	10/31/03	10/27/04	0%	469,644
2002 Block Grant	12/10/03	11/25/04	0%	92,000
North Jefferson/E. Reagan Intersection	08/12/03	07/14/04	0%	164,644
Ohio Clean Trail	03/27/03	03/24/04	0%	333,000
Ohio Historic/Architectural	03/27/03	06/23/04	0%	9,915
ODNR Shade Tree	09/30/03	09/30/04	0%	3,000
2003 CDBG Grant	10/31/03	10/24/04	0%	97,000
Cops in School	10/20/03	10/14/04	0%	46,022
E. Union Reconstruction	04/16/03	04/14/04	0%	398,850
2003 Weed Cutting Program	08/12/03	07/14/04	0%	<u>5,000</u>
Total				<u>\$ 1,915,148</u>
<i>Business-Type Activities</i>				
Recreation Center Furnishings	06/27/03	06/23/04	0%	103,000
Airport Ramp	02/28/03	02/24/04	0%	35,421
Airport Hanger Area	07/22/03	07/14/04	0%	<u>166,667</u>
Total				<u>\$ 305,088</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Internal note activity for the year ended December 31, 2003, consisted of the following:

	Balance 01/01/03	Additions	Reductions	Balance 12/31/03
Governmental Activities				
Forestry Chipper	\$ 20,000	\$ 0	\$ (20,000)	\$ 0
Weed Cutting	2,064	0	(2,064)	0
2002 Weed Cutting	4,775	0	(4,775)	0
2003 Weed Cutting	0	5,000	0	5,000
N. Jefferson/E. Reagan Intersection	164,644	164,644	(164,644)	164,644
E. Union Reconstruction	0	398,850	0	398,850
Intensive Probation	41,927	14,808	(56,735)	0
Intensive Probation 7/03 - 6/04	0	57,671	(12,598)	45,073
CHIP Grant	555,000	469,644	(555,000)	469,644
2001 Block Grant	86,000	86,000	(172,000)	0
2002 Block Grant	92,000	92,000	(92,000)	92,000
2001 Block Grant Supplement	0	5,000	(5,000)	0
Lake/Smith Intersection	251,000	251,000	(251,000)	251,000
Ohio Clean Trail Grant	0	333,000	0	333,000
Ohio Historic/Architectural	0	9,915	0	9,915
ODNR Shade Tree Trust	0	3,000	0	3,000
Cemetery Mausoleum	20,000	20,000	(40,000)	0
2003 CDBG Grant	0	97,000	0	97,000
Cops in School Grant	0	50,000	(3,978)	46,022
<i>Total Governmental Activities</i>	<u>1,237,410</u>	<u>2,057,532</u>	<u>(1,379,794)</u>	<u>1,915,148</u>
Business-Type Activities				
Airport Ramp	90,064	90,064	(144,707)	35,421
Airport Hanger	0	166,667	0	166,667
Recreation Center	905,000	252,000	(1,157,000)	0
Recreation Center Equipment	0	103,000	0	103,000
<i>Total Business-Type Activities</i>	<u>995,064</u>	<u>611,731</u>	<u>(1,301,707)</u>	<u>305,088</u>
<i>Internal Notes</i>	<u>\$ 2,232,474</u>	<u>\$ 2,669,263</u>	<u>\$ (2,681,501)</u>	<u>\$ 2,220,236</u>

A summary of the internal obligations by fund for the year ended December 31, 2003, are as follows:

Receivable Fund	Payable Fund	Amount
Water Fund	Grants Fund	\$ 1,203,632
Water Fund	Other Governmental	219,655
Water Fund	Airport	202,088
Water Fund	Recreation Center	103,000
Sanitation Fund	Other Governmental	<u>491,861</u>
Total		<u>\$ 2,220,236</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 16 – 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, 2003

Note 17 – 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	\$ 334,266	\$ 379,838	\$ 714,104
Capital Assets	2,425,203	0	2,425,203
Total Assets	2,759,469	379,838	3,139,307
Liabilities:			
Current Liabilities	248,198	377	248,575
Total Liabilities	248,198	377	248,575
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,425,203	0	2,425,203
Unrestricted	86,068	379,461	465,529
Total Net Assets	\$ 2,511,271	\$ 379,461	\$ 2,890,732

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

Charges for Services	\$ 0	\$ 418,001	\$ 418,001
Rentals	2,267	0	2,267
Other Operating Revenues	241	289	530
Depreciation	(61,946)	0	(61,946)
Other Operating Expenses	(104,413)	(38,829)	(143,242)
Operating Income	(163,851)	379,461	215,610
Intergovernmental Revenue	61,393	0	61,393
Change in Net Assets	(102,458)	379,461	277,003
Beginning Net Assets	2,613,729	0	2,613,729
Ending Net Assets	\$ 2,511,271	\$ 379,461	\$ 2,890,732

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided (Used) By:			
Operating Activities	\$ (70,755)	\$ 276,230	\$ 205,475
Capital Financing Activities	112,024	0	112,024
Noncapital Financing Activities	61,393	0	61,393
Net Increase (Decrease)	102,662	276,230	378,892
Beginning Cash and Cash Equivalents	231,363	0	231,363
Ending Cash and Cash Equivalents	\$ 334,025	\$ 276,230	\$ 610,255

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 18 – 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 19 – Contingencies

During the 2002 audit, the Auditor's noted federal questioned costs totaling \$843,004, dealing with documentation and period of availability concerns. These questioned costs are related to the 1996 sale of airport land which was originally purchased with federal funds. The proceeds were to be spent within five years for eligible airport development costs per the land release agreement. This matter has been referred to the U.S. Department of Transportation, Federal Aviation Administration and the outcome of this matter cannot presently be determined.

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 20 – 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).

Under the terms of these agreements, the Recreation Center is to be owned by the School Board and the City is to be 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 is due in installments as various phases of construction of the facility are completed. These payments will be treated by the City as a capital lease in accordance with Financial Statement Accounting Standards (FASB) #13. As of December 31, 2003, the City has paid \$5,835,000 of the \$7,500,000 which is reflected as Construction in Progress in the Enterprise Funds.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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.

Note 21 – Subsequent Events

In 1996, the Federal Aviation Administration (FAA) granted the City permission to sell for \$843,004 a parcel of land which had been purchased with federal monies. This permission was given provided the proceeds from the sale of this land be accounted for in a separate fund along with any interest earned on these monies, all proceeds were to be expended by September 30, 2001, and the annual amount expended was to be reported on the City's Federal Schedule. During the City's 2002 financial audit, it was discovered that the City failed to comply with these requirements and a corrective action plan was filed with the FAA. As of February 24, 2005, the FAA accepted the corrective action plan proposed by the City and allows the City to keep all remaining proceeds from this sale; and also requires these proceeds to be spent on eligible items of airport development by December 31, 2007.

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CITY OF MEDINA
MEDINA COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Grant Year	Federal CFDA Number	Receipts	Expenditures
<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	2001	14.228	\$ 91,000	\$ 36,911
	A-C/F-02-147-1	2002	14.228		71,164
	A-F-03-147-1	2003	14.228		3,103
				<u>91,000</u>	<u>111,178</u>
HOME Investment Partnerships Program	A-C-02-147-2	2003	14.239	<u>85,356</u>	<u>136,484</u>
Total U.S. Department of Housing and Urban Development				176,356	247,662
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
<i>Passed through the Ohio Department of Public Safety:</i>					
Public Assistance Grants	1484-DR-103-48790	2003	97.036	47,950	27,180
<u>U.S. DEPARTMENT OF JUSTICE</u>					
<i>Direct:</i>					
Public Safety Partnership and Community Policing Grants		2003	16.710	3,978	19,126
<i>Passed through the Bureau of Justice Assistance:</i>					
Bulletproof Vest Partnership Program		2003	16.607	<u>1,225</u>	<u>1,225</u>
Total U.S. Department of Justice				5,203	20,351
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
<i>Direct:</i>					
Airport Improvement Program		2003	20.106	<u>61,393</u>	<u>65,581</u>
TOTAL				<u>\$ 290,902</u>	<u>\$ 360,774</u>

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

**CITY OF MEDINA
MEDINA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. The accompanying Federal Awards Expenditure Schedule reports all 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purpose and compliance requirement of these programs has not changed.

Previous Federal Agency	CFDA No. Used <u>In 2002</u>	Homeland Security CFDA <u>No. used for 2003</u>
Federal Emergency Management Agency	83.544	97.036



**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 the City of Medina, Medina County, Ohio, (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 22, 2005, in which we noted that we were unable to obtain assurance 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. We also noted the City adopted Governmental Accounting Standard Board Statement No. 34, and restated December 31, 2002 Net Assets balances of the Governmental Type Activities and Business Type Activities to reflect a correction of an error from prior years. 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 2003-004.

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 2003-004 listed above to be a material weakness. In a separate letter to the City's management dated July 22, 2005, 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 items 2003-001 through 2003-003. In a separate letter to the City's management dated July 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and 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

July 22, 2005



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 the 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 major federal program for the year ended December 31, 2003. 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, 2003. In a separate letter to the City's management dated July 22, 2005, we reported other matters related to federal noncompliance not requiring inclusion in this report.

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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www.auditor.state.oh.us

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 management and 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

July 22, 2005

CITY OF MEDINA
MEDINA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003

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):	Community Development Block Grant (Entitlement Grants), CFDA #14.228 Home Investment Partnerships Program (HOME), CFDA #14.239
<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 2003-001

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 2003-001
(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.

During 2003, 61 of 102 or (59.8%) of the expenditures tested were not certified by the Finance Director prior to incurring the obligation. It was also found that neither of the exceptions above were utilized for the items found to be in noncompliance. 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 2003-002

Noncompliance Citation

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. Generally, before an inter-fund transfer can be made, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board and such taxing authority shall prepare a petition to be presented to the tax commissioner and to the Court of Common Pleas of the County, requesting approval of said transfers.

FINDING NUMBER 2003-002 Continued)

Noncompliance Citation (Continued)

<u>Transfers Out of Fund</u>	<u>Transfers Into Fund</u>	<u>Amount</u>
Purpose: Adm. Costs to General Fund from the following were improper		
EMS/Special Revenue	General	\$150,000.00
WATER OFFICE /Enterprise	General	145,659.19
SANITATION OFFICE /Enterprise	General	84,645.56
Purpose: Transfers to General Fund for engineering cost to General Fund from the following were improper		
JF DEV/SWEETBRIAR/Expendable Trust	General	\$1,550.00
HILLVIEW EXTENSION/Expendable Trust	General	275.00
Purpose: Transfers to General Fund for Interest earned are not allowable		
CEMETERY ENDOWMENT/Non-Expendable Trust		\$ 240.76
CEMETERY ENDOWMENT/Non-Expendable Trust		4,773.36

The transfers documented above were not approved by the Tax Commissioner and the Court of Common Pleas.

In addition, the City Council included transfers in the appropriation ordinances, but did not specifically authorize individual transfers as they were made. Transfers and advances must be specifically approved by a formal resolution of the taxing authority of the subdivision. This resolution must include:

- A. A specific statement that the transaction is an advance or a transfer of cash, and
- B. The specific funds providing and receiving, and the amounts of the transfer or advance, and
- C. If an advance, an indication of the money (fund) from which it is expected that the advance repayment will be made.

We recommend the Finance Director should obtain proper authorization for transfers from funds other than the General Fund. The City Council should specifically authorize each transfer or advance as it is made by resolution in the minutes.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code Section 9.38 states, in part, that monies should be deposited with the City Finance Director or designated depository within 24 hours of collection.

Of the 32 recreation center daily receipts tested 15 (46.9%) were not deposited with the City Finance Director or designated depository for a period ranging between 2 to 12 days after initial receipt of the money which ranged from \$249 to \$3,946. Delays of this nature could cause City daily receipts to be lost or misplaced without being detected in a timely manner. The City should properly safeguard receipts as required pursuant to Ohio Revised Code Section 9.38 relative to depositing requirements and procedures. This code section requires that monies be deposited on the next business day if the amount of daily receipts exceeds \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

FINDING NUMBER 2003-004

Material Weakness

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 interest 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 AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315(b)
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	The City failed to certify the availability of funds for all expenditures contrary to Ohio Rev. Code Section 5705.41(D)	No	Not Corrected – See Finding Number 2003-001
2002-002	The City failed to obtain approval from the Tax Commissioner and the Medina County Court of Common Pleas prior to transferring money for reasons not authorized by Ohio Rev. Code Section 5705.14.	No	Not Corrected – See Finding Number 2003-002
2002-003	The City does not maintain comprehensive records to account for capital asset balances, additions, deletions, and accumulated depreciation.	No	Not Corrected. – See Finding Number 2003-004
2002-004	The City could not provide documentation regarding the status of \$843,004.30 of Federal Land Proceeds.	Yes	Finding no longer valid. City has negotiated with the FAA and they have agreed to allow the City to keep and spend any remaining grant monies.



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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
NOVEMBER 10, 2005**