

**City of Medina
Medina County, Ohio**

* * * *

Financial Statements

December 31, 2005



**Auditor of State
Betty Montgomery**

City Council
City of Medina
132 N. Elmwood
Medina, Ohio 44256

We have reviewed the *Independent Auditor's Report* of the City of Medina, Medina County, prepared by Rea & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 18, 2006

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City of Medina, Ohio

For the Year Ended December 31, 2005

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Police Special Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Stormwater/Street Fund	22
Statement of Net Assets – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Assets - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	27
Notes to the Basic Financial Statements	29

City of Medina, Ohio

For the Year Ended December 31, 2005

Table of Contents

	<i>Page</i>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	60
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	62
Schedule of Federal Awards Expenditures	64
Schedule of Findings and Questioned Costs	65

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

September 5, 2006

To The Honorable Mayor and City Council
City of Medina
Medina County, Ohio

INDEPENDENT AUDITOR'S REPORT

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, as of and for the year ended December 31, 2005 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 an opinion on these financial statements based on our audit.

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

Because of the inadequacy of the accounting records, we were unable to obtain sufficient evidence regarding the amounts at which land and other capital assets, net of depreciation are recorded in the governmental activities and business-type activities in the accompanying statement of net assets at December 31, 2005 (stated at \$1,717,709, \$11,984,732, \$3,065,568, and \$26,257,048, respectively), and the amount of accumulated depreciation and depreciation expense recorded in the governmental activities and the business-type activities for the year ended (stated at \$11,023,389, \$1,672,290, \$18,430,995, and \$1,768,590, respectively). Due to our inability 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 \$10,833,627, and \$8,153,764, respectively). We were unable to satisfy ourselves regarding land and construction in progress and other capital assets net of depreciation, accumulated depreciation, depreciation expense, and Invested in Capital Assets, Net of Related Debt amounts by other auditing procedures.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves about land and other capital assets, net of depreciation, accumulated depreciation, depreciation expense, and invested in capital assets net of related debt, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medina, as of December 31, 2005 and the respective changes in financial position and the cash flows where applicable, thereof, and the respective budgetary comparisons for the general fund, police special, and the stormwater/street fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2006 on our consideration of the City of Medina'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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. As a result of our limited procedures, we believe Management's Discussion and Analysis does not conform to Governmental Accounting Standards Board guidelines, since as discussed in paragraph three, we were unable to satisfy ourselves about land and other capital assets, net of depreciation, accumulated depreciation, depreciation expense and invested in capital assets, net of related debt.

Rea & Associates, Inc.

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(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, 2005.

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

Financial Highlights

Key financial highlights for 2005 are as follows:

- The City's net assets increased \$4.8 million as a result of this year's operations. Net assets of our business-type activities decreased by approximately \$.3 million, or 2.2%, and net assets of governmental activities increased by \$5.2 million, or 18.5%.
- The City did not issue General Obligation Bonds in 2005 and continued reducing its overall outstanding debt obligations.

The Statement of Net Assets and the Statement of Activities (on pages 13 and 14-15) provide information about the activities of the City as a whole and present a long-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 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special assessment bond fund, police special fund and stormwater/streets 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.

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

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 23.

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.

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

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 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	Restated 2004	2005	2004
Assets						
Current and Other Assets	\$ 30,153,283	\$ 26,883,580	\$ 16,609,794	\$ 8,619,385	\$ 46,763,077	\$ 35,502,965
Capital Assets, Net	13,702,441	11,997,185	29,322,616	30,744,975	43,025,057	42,742,160
Total Assets	43,855,724	38,880,765	45,932,410	39,364,360	89,788,134	78,245,125
Liabilities						
Current and Other Liabilities	6,553,213	6,458,667	518,302	1,202,107	7,071,515	7,660,774
Long Term Liabilities						
Due Within One Year	1,118,908	1,004,229	1,101,779	1,063,484	2,220,687	2,067,713
Due in More than One Year	2,590,240	3,061,621	20,287,733	21,224,276	22,877,973	24,285,897
Total Liabilities	10,262,361	10,524,517	21,907,814	23,489,867	32,170,175	34,014,384
Net Assets						
Invested in Capital Assets Net of Debt	10,833,627	8,649,148	8,153,764	8,664,976	18,987,391	17,314,124
Restricted						
Capital Outlay	3,778,807	4,038,359	0	0	3,778,807	4,038,359
Debt Service	3,831,872	3,465,734	0	0	3,831,872	3,465,734
Police Operating	910,194	628,241	0	0	910,194	628,241
Stormwater Construction and Repair	1,844,489	1,389,662	0	0	1,844,489	1,389,662
Other	5,527,818	4,450,988	0	0	5,527,818	4,450,988
Unrestricted (Deficit)	6,866,556	5,734,116	15,870,832	15,708,332	22,737,388	21,442,448
Total Net Assets	\$ 33,593,363	\$ 28,356,248	\$ 24,024,596	\$ 24,373,308	\$ 57,617,959	\$ 52,729,556

The City's *combined* net assets changed from a year ago, *increasing* from \$52.7 million to \$57 million. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge.

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Net assets in the City's governmental activities increased by 18.3% (\$33.6 million compared to \$28.4 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 increased from \$5.7 million at December 31, 2004, to \$6.9 million at the end of 2005. Restricted net assets, those restricted mainly for capital projects and special purposes such as street cleaning or maintenance increased by \$1.9 million. The investments in capital assets, net of debt category increased by \$2.2 million.

Net assets in the City's business-type activities decreased by 2.2% (\$15.5 million compared to \$15.9 million) in 2004. The City generally can only use these net assets to finance the continuing operations of the water, sewer, and refuse operations.

Table 2 shows the changes in net assets for fiscal years 2005 and 2004. This will enable readers to draw further conclusions about the City's financial status and possibly project future problems.

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 3,135,409	\$ 2,705,498	\$ 8,594,301	\$ 8,319,043	\$ 11,729,710	\$ 11,024,541
Operating Grants and Contributions	2,621,714	1,896,651	0	0	2,621,714	1,896,651
Capital Grants	15,424	183,633	0	0	15,424	183,633
Total Program Revenues	5,772,547	4,785,782	8,594,301	8,319,043	14,366,848	13,104,825
<i>General Revenue:</i>						
City Income Taxes	10,974,948	9,014,842	1,198,643	762,042	12,173,591	9,776,884
Property Taxes	3,052,755	3,008,967	0	0	3,052,755	3,008,967
Grants and Contributions	1,684,318	1,499,204	0	0	1,684,318	1,499,204
Interest and Investment Earnings	845,354	463,101	102,951	66,177	948,305	529,278
Other	139,393	98,913	78,917	43,819	218,310	142,732
Total General Revenues	16,696,768	14,085,027	1,380,511	872,038	18,077,279	14,957,065
Total Revenues	22,469,315	18,870,809	9,974,812	9,191,081	32,444,127	28,061,890
Program Expenses						
General Government	6,447,117	5,968,618	0	0	6,447,117	5,968,618
Security of Persons and Property	6,382,098	5,945,476	0	0	6,382,098	5,945,476
Public Health	121,847	104,149	0	0	121,847	104,149
Community Development	1,452,486	1,201,624	0	0	1,452,486	1,201,624
Transportation	2,033,268	1,394,659	0	0	2,033,268	1,394,659
Basic Utility	59,244	35,587	0	0	59,244	35,587
Leisure Time Activities	583,807	695,904	0	0	583,807	695,904
Interest on Long Term Debt	172,542	199,750	0	0	172,542	199,750
Water	0	0	5,162,825	4,708,586	5,162,825	4,708,586
Sanitation	0	0	2,974,708	2,298,431	2,974,708	2,298,431
Recreation Center	0	0	2,020,704	2,578,689	2,020,704	2,578,689
Airport	0	0	110,105	72,879	110,105	72,879
Storm Sewer	0	0	34,973	39,004	34,973	39,004
Total Expenses	17,252,409	15,545,767	10,303,315	9,697,589	27,555,724	25,243,356
<i>Increase (Decrease) in Net Assets</i>						
<i>Before Transfers</i>	5,216,906	3,325,042	(328,503)	(506,508)	4,888,403	2,818,534
Net Transfers	20,209	(145,005)	(20,209)	145,005	0	0
Change in Net Assets	\$ 5,237,115	\$ 3,180,037	\$ (348,712)	\$ (361,503)	\$ 4,888,403	\$ 2,818,534

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Governmental Activities

The 1.25% income tax is the largest single source of revenue for the City. Income tax revenues are allocated based on City ordinance with the exception of the Street Maintenance and Repair Special fund portion which is decided by vote. In 2005, all costs of collecting the taxes and administering and enforcing the provisions were paid into the general fund. The remaining balance was allocated among General Fund, Parks and Recreation, Police Special, Fire Special, Stormwater/Street, General Purpose Capital, Fire Capital, Computer/Electronic Technology, Unanticipated Capital and Recreation Center.

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

Table 3
Governmental Activities

	2005		2004	
	Total Cost	Net Cost	Total Cost	Net Cost
General Government	\$ 6,447,117	\$ 4,835,631	\$ 5,968,618	\$ 4,780,176
Security of Persons and Property	6,382,098	4,567,276	5,945,476	4,225,878
Public Health	121,847	119,145	104,149	100,827
Community Development	1,452,486	815,402	1,201,624	1,201,624
Transportation	2,033,268	458,383	1,394,659	(136,804)
Basic Utility	59,244	10,578	35,587	(5,217)
Lesiure Time	583,807	500,905	695,904	635,252
Interest and Fiscal Charges	172,542	172,542	199,750	(41,751)
<i>Total Expenses</i>	<u>\$ 17,252,409</u>	<u>\$ 11,479,862</u>	<u>\$ 15,545,767</u>	<u>\$ 10,759,985</u>

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

When looking at sources of income to support governmental activities, it should be noted that the charges for services are only 14.0% of revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 11.7%. The remaining revenues are primarily generated locally through property (13.6%) and income taxes (48.9%).

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Business-Type Activities

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

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

The City's Funds

Governmental Funds

Information about the City's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$22.5 million and expenditures of \$19.3 million. The General Fund balance increased \$1.3 million, the Special Assessment Bond Fund balance decreased by \$.009 million, the Police Special Fund increased \$.4 million and the Stormwater/Street Fund increased \$.5 million.

Proprietary Funds

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

Information about the City's major proprietary funds begins on page 23.

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 \$1.2 million because some appropriations were not being spent. This occurred due to cost saving actions by City officials and appropriations for contingencies not realized and delayed implementation of projects for cost saving and other reasons. Actual revenues exceeded final budget revenues by \$.5 million due to improving economic climate between the time of the final estimate and the end of the year and other factors.

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Capital Asset and Debt Administration

Capital Assets

At the end of 2005, the City had \$43.0 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 2005 balances compared with 2004.

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,021,974	\$ 1,021,974	\$ 3,065,568	\$ 3,065,568	\$ 4,087,542	\$ 4,087,542
Construction in Progress	695,735	0	0	0	695,735	0
Buildings and Improvements	6,802,163	6,576,486	14,067,068	15,034,250	20,869,231	21,610,736
Furniture and Equipment	1,849,782	2,049,254	297,125	228,961	2,146,907	2,278,215
Vehicles	603,441	715,566	147,838	170,718	751,279	886,284
Infrastructure	2,729,346	1,633,905	11,745,017	12,245,478	14,474,363	13,879,383
Totals	\$ 13,702,441	\$ 11,997,185	\$ 29,322,616	\$ 30,744,975	\$ 43,025,057	\$ 42,742,160

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

- Roscoe Ewing Park multi-purpose trail was constructed.
- Street improvements were made to East Union Street, Guilford Blvd and East Reagan.

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

City of Medina
Medina County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Debt

At December 31, 2005, the City had \$20.6 million in General Obligation Bonds and \$1.9 million in Special Assessment Bonds.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<i>General Obligation Bonds:</i>						
1987 Parking Improvement Bonds	\$ 32,400	\$ 48,600	\$ 0	\$ 0	\$ 32,400	\$ 48,600
1991 Fire Station	725,000	870,000	0	0	725,000	870,000
1997 Street Improvements	160,000	240,000	0	0	160,000	240,000
Various Water Improvement Bonds	0	0	13,110,000	13,695,000	13,110,000	13,695,000
Recreation Center	0	0	6,610,000	6,880,000	6,610,000	6,880,000
	<u>917,400</u>	<u>1,158,600</u>	<u>19,720,000</u>	<u>20,575,000</u>	<u>20,637,400</u>	<u>21,733,600</u>
<i>Special Assessment Bonds:</i>						
Various Street Improvements	1,890,058	2,082,064	0	0	1,890,058	2,082,064
Various Parking Improvements	27,600	41,400	0	0	27,600	41,400
Water Line	0	0	20,942	22,936	20,942	22,936
	<u>1,917,658</u>	<u>2,123,464</u>	<u>20,942</u>	<u>22,936</u>	<u>1,938,600</u>	<u>2,146,400</u>
Total	<u>\$ 2,835,058</u>	<u>\$ 3,282,064</u>	<u>\$ 19,740,942</u>	<u>\$ 20,597,936</u>	<u>\$ 22,576,000</u>	<u>\$ 23,880,000</u>

At December 31, 2005, the City had outstanding long-term debt obligations in the amount of \$2.8 million down from \$3.3 million in 2004 for the governmental activities which represents a 13.6% decrease. The City's business-type activities debt obligation as of December 31, 2005, was \$19.7 million down from \$20.6 million in 2004 which represents a decrease of 4.2%.

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.

Current Issues

The City continues to utilize the additional resources made available by the voted allocation of income tax to the Stormwater/Streets Fund and improve various roads and railroad crossings.

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, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 21,097,268	\$ 4,686,697	\$ 25,783,965
Cash with Fiscal Agent	12,203	0	12,203
Receivables:			
Accounts	68,907	1,179,627	1,248,534
Interest	507,468	0	507,468
Internal Notes Receivable	0	2,196,841	2,196,841
Taxes	3,987,672	47,814	4,035,486
Intergovernmental	2,027,571	0	2,027,571
Special Assessments	2,452,194	0	2,452,194
Investment in Joint Venture	0	8,498,815	8,498,815
Land and Construction in Progress	1,717,709	3,065,568	4,783,277
Other Capital Assets, Net of Depreciation	11,984,732	26,257,048	38,241,780
<i>Total Assets</i>	<u>43,855,724</u>	<u>45,932,410</u>	<u>89,788,134</u>
Liabilities			
Accounts Payable	459,588	291,783	751,371
Internal Notes Payable	2,196,841	0	2,196,841
Accrued Salaries, Wages and Benefits	663,337	226,519	889,856
Accrued Interest Payable	12,203	0	12,203
Deferred Revenue	3,210,199	0	3,210,199
Matured Compensated Absences	11,045	0	11,045
Long Term Liabilities:			
Due Within One Year	1,118,908	1,101,779	2,220,687
Due In More Than One Year	2,590,240	20,287,733	22,877,973
<i>Total Liabilities</i>	<u>10,262,361</u>	<u>21,907,814</u>	<u>32,170,175</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,833,627	8,153,764	18,987,391
Restricted for:			
Capital Outlay	3,778,807	0	3,778,807
Debt Service	3,831,872	0	3,831,872
Other Purposes	8,282,501	0	8,282,501
Unrestricted	6,866,556	15,870,832	22,737,388
<i>Total Net Assets</i>	<u>\$ 33,593,363</u>	<u>\$ 24,024,596</u>	<u>\$ 57,617,959</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Activities
For the Year Ended December 31, 2005

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Current:				
General Government	\$ 6,447,117	\$ 1,496,405	\$ 115,081	\$ 0
Security of Persons and Property	6,382,098	1,565,815	249,007	0
Public Health	121,847	2,702	0	0
Community Development	1,452,486	0	637,084	0
Transportation	2,033,268	2,263	1,557,198	15,424
Basic Utility	59,244	132	48,534	0
Lesiure Time	583,807	68,092	14,810	0
Interest and Fiscal Charges	172,542	0	0	0
<i>Total Governmental Activities</i>	<u>17,252,409</u>	<u>3,135,409</u>	<u>2,621,714</u>	<u>15,424</u>
Business-Type Activities				
Water	5,162,825	3,949,132	0	0
Sanitation	2,974,708	2,882,751	0	0
Recreation Center	2,020,704	1,746,043	0	0
Airport	110,105	16,375	0	0
Storm Sewer	34,973	0	0	0
<i>Total Business-Type Activities</i>	<u>10,303,315</u>	<u>8,594,301</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$ 27,555,724</u>	<u>\$ 11,729,710</u>	<u>\$ 2,621,714</u>	<u>\$ 15,424</u>

General Revenues:

Property Taxes Levied for:

- General Purposes
- Other Purposes
- Debt Service

Municipal Income Taxes Levied for:

- General Purposes
- Other Purposes
- Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Interest and Investment Earnings
Other

Total General Revenues

Net Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year
(Restated, See Note 16)

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,835,631)	\$ 0	\$ (4,835,631)
(4,567,276)	0	(4,567,276)
(119,145)	0	(119,145)
(815,402)	0	(815,402)
(458,383)	0	(458,383)
(10,578)	0	(10,578)
(500,905)	0	(500,905)
(172,542)	0	(172,542)
<u>(11,479,862)</u>	<u>0</u>	<u>(11,479,862)</u>
0	(1,213,693)	(1,213,693)
0	(91,957)	(91,957)
0	(274,661)	(274,661)
0	(93,730)	(93,730)
0	(34,973)	(34,973)
<u>0</u>	<u>(1,709,014)</u>	<u>(1,709,014)</u>
<u>(11,479,862)</u>	<u>(1,709,014)</u>	<u>(13,188,876)</u>
1,256,098	0	1,256,098
1,625,451	0	1,625,451
171,206	0	171,206
1,701,787	1,198,643	2,900,430
8,404,709	0	8,404,709
868,452	0	868,452
1,684,318	0	1,684,318
845,354	102,951	948,305
139,393	78,917	218,310
<u>16,696,768</u>	<u>1,380,511</u>	<u>18,077,279</u>
<u>20,209</u>	<u>(20,209)</u>	<u>0</u>
16,716,977	1,360,302	18,077,279
5,237,115	(348,712)	4,888,403
<u>28,356,248</u>	<u>24,373,308</u>	<u>52,729,556</u>
<u>\$ 33,593,363</u>	<u>\$ 24,024,596</u>	<u>\$ 57,617,959</u>

City of Medina, Medina County
Balance Sheet
Governmental Funds
December 31, 2005

	General	Special Assessment Debt Service	Police Special Fund	Stormwater/ Street Fund	Other Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 3,133,979	\$ 710,579	\$ 1,336,141	\$ 1,705,239	\$ 14,211,330
Cash with Fiscal Agent	0	12,203	0	0	0
Receivables:					
Trade (Net of Allowance)	15,655	0	940	0	52,312
Interest	507,468	0	0	0	0
Taxes	1,361,198	0	268,954	149,419	2,208,101
Intergovernmental	664,220	0	10,208	0	1,353,143
Special Assessments	0	2,452,194	0	0	0
Due From Other Funds	1,270	0	0	0	0
<i>Total Assets</i>	<u>\$ 5,683,790</u>	<u>\$ 3,174,976</u>	<u>\$ 1,616,243</u>	<u>\$ 1,854,658</u>	<u>\$ 17,824,886</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 125,076	\$ 0	\$ 71,672	\$ 8,130	\$ 254,710
Internal Notes Payable	0	0	0	0	2,196,841
Accrued Salaries, Wages and Benefits	242,293	0	246,432	2,039	172,573
Matured Interest Payable	0	12,203	0	0	0
Due to Other Funds	0	0	0	0	1,270
Deferred Revenue	1,677,030	2,452,194	0	0	3,023,287
Matured Compensated Absences	9,588	0	0	0	1,457
<i>Total Liabilities</i>	<u>2,053,987</u>	<u>2,464,397</u>	<u>318,104</u>	<u>10,169</u>	<u>5,650,138</u>
Fund Balance					
Reserved for Encumbrances	427,463	0	13,753	1,021,989	1,566,831
Undesignated, Reported In:					
General Fund	3,202,340	0	0	0	0
Special Revenue Funds	0	0	1,284,386	822,500	6,779,231
Debt Service Fund	0	710,579	0	0	606,476
Capital Projects Funds	0	0	0	0	3,222,210
<i>Total Fund Balances</i>	<u>3,629,803</u>	<u>710,579</u>	<u>1,298,139</u>	<u>1,844,489</u>	<u>12,174,748</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,683,790</u>	<u>\$ 3,174,976</u>	<u>\$ 1,616,243</u>	<u>\$ 1,854,658</u>	<u>\$ 17,824,886</u>

See accompanying notes to the basic financial statements.

City of Medina County
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 December 31, 2005*

Total Governmental Funds	Total Governmental Fund Balances	\$ 19,657,758
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$ 21,097,268 12,203	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	13,702,441
68,907 507,468 3,987,672 2,027,571 2,452,194 1,270	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
	Delinquent Property Taxes	\$ 75,961
	Intergovernmental	1,414,157
	Special Assessments	<u>2,452,194</u>
		3,942,312
<u>\$ 30,154,553</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	(2,835,058)
	Loan Payable	(33,756)
\$ 459,588 2,196,841 663,337 12,203 1,270 7,152,511 11,045	Compensated Absences	<u>(840,334)</u>
		<u>(3,709,148)</u>
10,496,795	<i>Net Assets of Governmental Activities</i>	<u>\$ 33,593,363</u>
3,030,036 3,202,340 8,886,117 1,317,055 3,222,210		
19,657,758		
<u>\$ 30,154,553</u>		

City of Medina, Medina County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Special Assessment Debt Service	Police Special Fund	Stormwater/ Street Fund	Other Governmental Funds
Revenues					
Local Taxes	\$ 2,972,821	\$ 0	\$ 4,252,594	\$ 2,362,552	\$ 4,472,126
Intergovernmental Revenue	1,475,451	0	78,225	0	2,412,856
Fees Licenses and Permits	1,311,808	0	0	0	1,102,740
Special Assessments	0	321,798	0	0	0
Charges for Services	379,674	0	94,670	0	245,762
Interest Income	824,074	0	0	0	21,280
Rentals	755	0	0	0	0
Gifts and Donations	0	0	100	0	11,520
Miscellaneous	100,657	0	6,222	699	20,195
<i>Total Revenues</i>	<u>7,065,240</u>	<u>321,798</u>	<u>4,431,811</u>	<u>2,363,251</u>	<u>8,286,479</u>
Expenditures					
General Government	4,209,625	4,047	0	0	770,999
Security of Persons and Property	95,477	0	3,976,628	0	2,360,992
Public Health	114,783	0	0	0	6,534
Community Development	885,452	0	0	0	258,496
Transportation	0	0	0	93,877	1,201,360
Basic Utility	122	0	0	0	59,122
Lesiure Time	0	0	0	0	776,847
Capital Outlay	142,318	0	91,153	1,814,547	1,810,215
Debt Service:					
Principal Retirement	0	205,806	0	0	273,417
Interest and Fiscal Charges	0	120,500	0	0	52,042
<i>Total Expenditures</i>	<u>5,447,777</u>	<u>330,353</u>	<u>4,067,781</u>	<u>1,908,424</u>	<u>7,570,024</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,617,463	(8,555)	364,030	454,827	716,455
Other Financing Sources (Uses)					
Transfers In	0	0	0	0	370,205
Transfers Out	(349,996)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(349,996)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>370,205</u>
<i>Net Change in Fund Balance</i>	1,267,467	(8,555)	364,030	454,827	1,086,660
<i>Fund Balance/Net Assets Beginning of Year</i>	<u>2,362,336</u>	<u>719,134</u>	<u>934,109</u>	<u>1,389,662</u>	<u>11,088,088</u>
<i>Fund Balance/Net Assets End of Year</i>	<u>\$ 3,629,803</u>	<u>\$ 710,579</u>	<u>\$ 1,298,139</u>	<u>\$ 1,844,489</u>	<u>\$ 12,174,748</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, 2005

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$	3,164,429
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
\$ 14,060,093	Governmental funds report capital outlays as expenditures.		
3,966,532	However, in the statement of activities, the cost of those		
2,414,548	assets is allocated over their estimated useful lives as		
321,798	depreciation expense. This is the amount by which capital		
720,106	outlays exceeded depreciation in the current period.		
845,354	Capital Asset Additions Net of Deletions	\$ 3,377,546	
755	Current Year Depreciation	<u>(1,672,290)</u>	1,705,256
11,620			
127,773	Revenues in the statement of activities that do not provide		
	current financial resources are not reported as revenues		
22,468,579	in the funds.		
	Delinquent Property Taxes	(32,391)	
4,984,671	Intergovernmental	304,173	
6,433,097	Special Assessments	<u>(261,054)</u>	10,728
121,317			
1,143,948	Repayment of bond principal is an expenditure in the governmental		
1,295,237	funds, but the repayment reduces long-term liabilities in the		
59,244	statement of net assets.		
776,847	Bond Principal	447,006	
3,858,233	Loan Principal	<u>32,217</u>	479,223
479,223	Some expenses reported in the statement of activities do not		
172,542	use the current financial resources and therefore are not reported		
	as expenditures in governmental funds.		
19,324,359	Compensated Absences		<u>(122,521)</u>
3,144,220	Change in Net Assets of Governmental Activities	\$	<u>5,237,115</u>
370,205			
(349,996)			
20,209			
3,164,429			
16,493,329			
\$ 19,657,758			

City of Medina, Medina County
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 3,784,900	\$ 3,065,759	\$ 3,177,530	\$ 111,771
Intergovernmental Revenue	1,800,667	1,157,021	1,280,655	123,634
Fees Licenses and Permits	1,421,500	1,200,500	1,274,770	74,270
Charges for Services	80,000	339,000	379,674	40,674
Interest Income	400,000	400,000	500,354	100,354
Rentals	0	0	755	755
Miscellaneous	30,000	30,660	33,877	3,217
<i>Total Revenues</i>	<u>7,517,067</u>	<u>6,192,940</u>	<u>6,647,615</u>	<u>454,675</u>
Expenditures				
General Government	4,656,157	5,322,145	4,530,059	792,086
Security of Persons and Property	220,331	344,308	196,664	147,644
Public Health	151,555	167,593	133,214	34,379
Community Development	918,796	1,144,622	949,343	195,279
Basic Utility	0	1,490	122	1,368
Capital Outlay	109,500	134,295	142,318	(8,023)
<i>Total Expenditures</i>	<u>6,056,339</u>	<u>7,114,453</u>	<u>5,951,720</u>	<u>1,162,733</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,460,728	(921,513)	695,895	1,617,408
Other Financing Sources (Uses)				
Other Financing Sources	260,000	263,150	267,083	3,933
Other Financing Uses	(200,800)	(230,958)	(227,653)	3,305
Advances In	0	55,000	60,935	5,935
Advances Out	(15,000)	(13,988)	(5,034)	8,954
Transfers Out	(360,000)	(359,860)	(349,996)	9,864
<i>Total Other Financing Sources (Uses)</i>	<u>(315,800)</u>	<u>(286,656)</u>	<u>(254,665)</u>	<u>31,991</u>
<i>Net Change in Fund Balance</i>	1,144,928	(1,208,169)	441,230	1,649,399
<i>Fund Balance/Net Assets Beginning of Year</i>	1,829,634	1,829,634	1,829,634	0
Prior Year Encumbrances Appropriated	<u>308,240</u>	<u>308,240</u>	<u>308,240</u>	<u>0</u>
<i>Fund Balance/Net Assets End of Year</i>	<u>\$ 3,282,802</u>	<u>\$ 929,705</u>	<u>\$ 2,579,104</u>	<u>\$ 1,649,399</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
 Police Special Fund
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 4,328,226	\$ 4,328,226	\$ 4,261,266	\$ (66,960)
Intergovernmental Revenue	10,000	27,000	37,399	10,399
Charges for Services	0	93,730	93,730	0
Miscellaneous	0	0	100	100
<i>Total Revenues</i>	<u>4,338,226</u>	<u>4,448,956</u>	<u>4,392,495</u>	<u>(56,461)</u>
Expenditures				
Security of Persons and Property	3,997,636	4,157,155	3,873,042	284,113
Capital Outlay	134,000	110,984	91,153	19,831
<i>Total Expenditures</i>	<u>4,131,636</u>	<u>4,268,139</u>	<u>3,964,195</u>	<u>303,944</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	206,590	180,817	428,300	247,483
Other Financing Sources (Uses)				
Other Financing Sources	1,500	27,500	42,550	15,050
Other Financing Uses	0	(200)	0	200
<i>Total Other Financing Sources (Uses)</i>	<u>1,500</u>	<u>27,300</u>	<u>42,550</u>	<u>15,250</u>
<i>Net Change in Fund Balance</i>	208,090	208,117	470,850	262,733
<i>Fund Balance/Net Assets Beginning of Year</i>	865,289	865,289	865,289	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance/Net Assets End of Year</i>	<u>\$ 1,073,379</u>	<u>\$ 1,073,406</u>	<u>\$ 1,336,139</u>	<u>\$ 262,733</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
 Stormwater/Street Fund
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 2,404,570	\$ 2,404,570	\$ 2,367,370	\$ (37,200)
Miscellaneous	0	0	699	699
<i>Total Revenues</i>	<u>2,404,570</u>	<u>2,404,570</u>	<u>2,368,069</u>	<u>(36,501)</u>
Expenditures				
Transportation	0	108,540	93,040	15,500
Capital Outlay	355,529	2,862,743	2,844,666	18,077
<i>Total Expenditures</i>	<u>355,529</u>	<u>2,971,283</u>	<u>2,937,706</u>	<u>33,577</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	2,049,041	(566,713)	(569,637)	(2,924)
Other Financing Sources (Uses)				
Other Financing Uses	0	(50)	(25)	25
<i>Net Change in Fund Balance</i>	2,049,041	(566,763)	(569,662)	(2,899)
<i>Fund Balance/Net Assets Beginning of Year</i>	889,253	889,253	889,253	0
Prior Year Encumbrances Appropriated	355,529	355,529	355,529	0
<i>Fund Balance/Net Assets End of Year</i>	<u>\$ 3,293,823</u>	<u>\$ 678,019</u>	<u>\$ 675,120</u>	<u>\$ (2,899)</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Net Assets
Proprietary Funds
December 31, 2005

	Business-Type Activities - Enterprise Funds				
	Water	Sanitation	Recreation Center	Nonmajor	Total
Assets					
Current Assets					
Equity in Pooled Cash and Investments	\$ 3,203,210	\$ 375,695	\$ 849,477	\$ 258,315	\$ 4,686,697
Receivables					
Trade (Net of Allowance)	634,035	545,592	0	0	1,179,627
Internal Notes	1,777,825	491,861	0	0	2,269,686
Taxes	0	0	47,814	0	47,814
<i>Total Current Assets</i>	<u>5,615,070</u>	<u>1,413,148</u>	<u>897,291</u>	<u>258,315</u>	<u>8,183,824</u>
Non-Current Assets					
Investment in Joint Venture	8,498,815	0	0	0	8,498,815
Capital Assets					
Land	1,228,866	0	0	1,836,702	3,065,568
Other Capital Assets, Net of Depreciation	17,956,852	306,650	7,295,271	698,275	26,257,048
<i>Total Non-Current Assets</i>	<u>27,684,533</u>	<u>306,650</u>	<u>7,295,271</u>	<u>2,534,977</u>	<u>37,821,431</u>
<i>Total Assets</i>	<u>33,299,603</u>	<u>1,719,798</u>	<u>8,192,562</u>	<u>2,793,292</u>	<u>46,005,255</u>
Liabilities					
Current Liabilities					
Accounts Payable	160,168	117,701	13,914	0	291,783
Internal Notes Payable	0	70,000	0	2,845	72,845
Accrued Salaries, Wages and Benefits	72,942	59,891	93,686	0	226,519
<i>Total Current Liabilities</i>	<u>233,110</u>	<u>247,592</u>	<u>107,600</u>	<u>2,845</u>	<u>591,147</u>
Non-Current Liabilities					
Due Within One Year	743,007	58,320	300,452	0	1,101,779
Due In More Than One Year	13,920,636	20,391	6,346,706	0	20,287,733
<i>Total Non-Current Liabilities</i>	<u>14,663,643</u>	<u>78,711</u>	<u>6,647,158</u>	<u>0</u>	<u>21,389,512</u>
<i>Total Liabilities</i>	<u>14,896,753</u>	<u>326,303</u>	<u>6,754,758</u>	<u>2,845</u>	<u>21,980,659</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	4,626,867	306,650	685,270	2,534,977	8,153,764
Unrestricted	13,775,983	1,086,845	752,534	255,470	15,870,832
<i>Total Net Assets</i>	<u>\$ 18,402,850</u>	<u>\$ 1,393,495</u>	<u>\$ 1,437,804</u>	<u>\$ 2,790,447</u>	<u>\$ 24,024,596</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

Business-Type Activities - Enterprise Funds					
	Water	Sanitation	Recreation Center	Nonmajor	Total
Operating Revenues					
Charges for Services	\$ 3,949,132	\$ 2,882,751	\$ 1,746,043	\$ 16,375	\$ 8,594,301
Rentals	0	0	0	3,274	3,274
Other	61,641	12,006	1,903	93	75,643
<i>Total Operating Revenues</i>	<u>4,010,773</u>	<u>2,894,757</u>	<u>1,747,946</u>	<u>19,742</u>	<u>8,673,218</u>
Operating Expenses					
Personal Services	1,022,673	997,278	1,238,227	0	3,258,178
Contractual Service	0	0	0	51,976	51,976
Materials and Supplies	2,106,137	1,800,434	317,122	8,061	4,231,754
Depreciation	1,344,116	176,996	162,437	85,041	1,768,590
Other	0	0	468	0	468
<i>Total Operating Expenses</i>	<u>4,472,926</u>	<u>2,974,708</u>	<u>1,718,254</u>	<u>145,078</u>	<u>9,310,966</u>
<i>Operating Income (Loss)</i>	(462,153)	(79,951)	29,692	(125,336)	(637,748)
Non-Operating Revenues (Expenses)					
Municipal Income Tax	0	0	1,198,643	0	1,198,643
Interest Income	92,847	8,727	0	1,377	102,951
Interest Expense	(689,899)	0	(302,450)	0	(992,349)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(597,052)</u>	<u>8,727</u>	<u>896,193</u>	<u>1,377</u>	<u>309,245</u>
<i>Income (Loss) Before Transfers</i>	<u>(1,059,205)</u>	<u>(71,224)</u>	<u>925,885</u>	<u>(123,959)</u>	<u>(328,503)</u>
Transfers Out	0	0	0	(20,209)	(20,209)
<i>Change in Net Assets</i>	(1,059,205)	(71,224)	925,885	(144,168)	(348,712)
<i>Net Assets at Beginning of Year (Restated, See Note 16)</i>	<u>19,462,055</u>	<u>1,464,719</u>	<u>511,919</u>	<u>2,934,615</u>	<u>24,373,308</u>
<i>Net Assets and the End of the Year</i>	<u>\$ 18,402,850</u>	<u>\$ 1,393,495</u>	<u>\$ 1,437,804</u>	<u>\$ 2,790,447</u>	<u>\$ 24,024,596</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities - Enterprise Funds				
	Water	Sanitation	Recreation Center	Nonmajor	Total
Cash Flows From Operating Activities					
Cash Received from Customers	\$ 3,998,052	\$ 2,828,623	\$ 1,748,414	\$ 20,034	\$ 8,595,123
Cash Paid for Goods and Services	(2,115,490)	(1,804,694)	(1,005,492)	(70,369)	(4,996,045)
Cash Paid to Employees	(1,000,685)	(998,187)	(1,219,680)	0	(3,218,552)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>881,877</u>	<u>25,742</u>	<u>(476,758)</u>	<u>(50,335)</u>	<u>380,526</u>
Cash Flows From Non-Capital Financing Activities					
Income Tax	0	0	1,231,032	0	1,231,032
Transfers Out	0	0	0	(20,209)	(20,209)
<i>Net Cash Provided By (Used For) Non-Capital Activities</i>	<u>0</u>	<u>0</u>	<u>1,231,032</u>	<u>(20,209)</u>	<u>1,210,823</u>
Cash Flows From Investing Activities					
Interest on Investments	92,847	8,727	0	1,377	102,951
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>92,847</u>	<u>8,727</u>	<u>0</u>	<u>1,377</u>	<u>102,951</u>
Cash Flows From Capital and Related Activities					
Payments for Capital Acquisitions	(161,577)	0	(109,223)	(75,430)	(346,230)
Principal Payments on Debt	(641,148)	0	(270,000)	0	(911,148)
Interest Paid on Bonds	(689,899)	0	(302,450)	0	(992,349)
<i>Net Cash Provided By (Used For) Capital and Related Financing Activities</i>	<u>(1,492,624)</u>	<u>0</u>	<u>(681,673)</u>	<u>(75,430)</u>	<u>(2,249,727)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(517,900)	34,469	72,601	(144,597)	(555,427)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>3,721,110</u>	<u>341,226</u>	<u>776,876</u>	<u>402,912</u>	<u>5,242,124</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 3,203,210</u>	<u>\$ 375,695</u>	<u>\$ 849,477</u>	<u>\$ 258,315</u>	<u>\$ 4,686,697</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities					
Operating Income (Loss)	\$ (462,153)	\$ (79,951)	\$ 29,692	\$ (125,336)	\$ (637,748)
Adjustments:					
Depreciation Expense	1,344,116	176,996	162,437	85,041	1,768,590
(Increase) Decrease in Assets:					
Accounts Receivable	(604)	(66,134)	468	292	(65,978)
Due from Other Funds	(12,117)	0	0	0	(12,117)
Increase (Decrease) in Liabilities:					
Accounts Payable	(9,353)	(4,260)	(3,569)	(9,017)	(26,199)
Due to Other Funds	0	0	0	(1,315)	(1,315)
Accrued Salaries, Wages and Benefits	21,988	(909)	18,547	0	39,626
Intergovernmental Payable	0	0	(684,333)	0	(684,333)
<i>Total Adjustments</i>	<u>1,344,030</u>	<u>105,693</u>	<u>(506,450)</u>	<u>75,001</u>	<u>1,018,274</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 881,877</u>	<u>\$ 25,742</u>	<u>\$ (476,758)</u>	<u>\$ (50,335)</u>	<u>\$ 380,526</u>

See accompanying notes to the basic financial statements.

City of Medina, Medina County
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	Private Purpose Trust <u>Tricentennial</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 6,264	\$ 325,864
Cash in Segregated Accounts	<u>0</u>	<u>482,465</u>
<i>Total Assets</i>	<u>\$ 6,264</u>	<u>\$ 808,329</u>
Liabilities		
Undistributed Monies	<u>\$ 0</u>	<u>\$ 808,329</u>
<i>Total Liabilities</i>		<u>\$ 808,329</u>
Net Assets		
Held in Trust for Tricentennial	<u>\$ 6,264</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, 2005

	Private Purpose Trust
	Tricentennial
Additions	
Miscellaneous	\$ 60
Deductions	0
Change in Net Assets	60
Net Assets Beginning of Year	6,204
Net Assets End of Year	\$ 6,264

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, 2005

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

The City is a member of the Medina-Lorain Water Consortium, a joint venture. (See Note 16.)

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

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business type activities and enterprise funds. For the year ended December 31, 2005, the City has implemented GASB Statement No. 40 "*Deposit and Investment Risk Disclosures.*" The most significant of the City's accounting policies are described below.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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.

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.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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.

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.

Police Special Fund – The police special special revenue fund accounts for financial resources whose use is restricted to police department expenses. These resources are primarily generated through income tax.

Stormwater/Streets Fund – The stormwater/street fund accounts for financial resources whose use is restricted to street projects. These resources are primarily generated through income tax.

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

Proprietary Funds

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

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

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

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

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

Basis of Accounting

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following 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, 2005, but which were levied to finance year 2006 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.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Appropriations

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

Lapsing of Appropriations

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

Cash and Cash Equivalents

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

During 2005, investments included repurchase agreement, 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, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$824,074, which includes \$700,775, 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.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Capital Assets

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

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

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

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

Interfund Balances

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

Compensated Absences

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

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

Net Assets

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

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 2005.

Interfund Activity

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

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

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 2005.

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.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 3 – Fund Deficits

Fund balances at December 31, 2005 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Nonmajor Governmental Funds:	
Issue 2	\$ 413,463
Special Assessment	8,083
Grants Fund	392,720
FEMA Grant	1,270
Cops in School	11,274
CDBG	19,541
CHIP Grant	30,493
Parking Fund	838
Federal Airport Grant	10,161

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

Note 4 – 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.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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

Interim monies may be invested in the following securities:

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

Effective September 27, 1996, investments in stripped principal or interest obligations are no longer allowed to be purchased. Reverse repurchase agreements and derivatives are also 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.

Deposits: The carrying value of the City's deposits totaled \$22,845,303 and the bank balances of the deposits totaled \$23,406,225. Of the bank balance \$800,000 was covered by depository insurance; and \$22,606,225 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Investments

Investments are reported at fair value. As of December 31, 2005, the City had the following investments:

Standard & Poor's	Investment	Fair Value	Investment Maturity Less than One Year	Total Investments
AAAm	StarOhio	\$ 110,458	\$ 110,458	2.9%
N/A	Repurchase Agreement	3,655,000	3,655,000	97.1%
		<u>\$3,765,458</u>	<u>\$ 3,765,458</u>	<u>100.0%</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The City's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the City.

Credit Risk: The City's investments credit ratings are summarized above.

Concentration of Credit Risk: The City places no limit on the amount the City may invest in any one issuer. The investment percentages are listed above.

Note 5 – Budgetary Basis of Accounting

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

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, Police Special Fund and Stormwater/Streets Fund.

	Net Change in Fund Balance		
	General Fund	Police Special Fund	Stormwater/ Streets Fund
GAAP Basis (as reported)	\$ 1,267,467	\$ 364,030	\$ 454,827
Adjustments:			
Net adjustment for revenue accruals	(417,625)	(81,866)	4,793
Other financing sources	328,018	42,550	0
Net adjustment for expenditure accruals	400,924	146,136	837
Other financing uses	(582,683)	0	0
Encumbrances	(554,871)	0	(1,030,119)
Budget basis	\$ 441,230	\$ 470,850	\$ (569,662)

Note 6 – 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, 2005, consisted of the following:

Transfer Out	Transfer In	Amount
General Fund	Other Governmental	\$ 349,996
Nonmajor Enterprise Fund	Other Governmental	20,209
		\$ 370,205

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, 2005, all interfund payables outstanding are anticipated to be repaid in 2006.

Interfund obligations for the year ended December 31, 2005, consisted of the following:

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Due From Other Funds	Due To Other Funds	Amount
General Fund	Other Governmental	\$ 1,270

Note 8 – Receivables

Receivables at December 31, 2005, consisted of taxes, interest, special assessments, trade (billings for user charged services) and intergovernmental receivables.

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

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. 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, 2005 was \$5.7 per \$1,000 of assessed value. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.31 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$5.19 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 2005 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, 2005

Real Property - 2005 Valuation

Residential/agricultural	\$ 399,230,420	72.61%
Commercial/industrial	150,609,030	27.39%
	\$ 549,839,450	100.00%

Tangible Personal Property - 2004 Valuation

General and public utilities	\$ 97,167,683
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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, 2005. 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 2005 operations. The receivable is offset by deferred revenue.

Income Taxes

The City levies a municipal income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. Effective January 1, 2005, the income tax rate was 1.25 percent. The Central Collection Agency (CCA) is the City's agent for administering income tax collecting and accounting.

Employers within the City are required to withhold income tax on work done or services performed in the City by both residents and non-residents of the City. All individuals who work or conduct business in the City and do not have income tax withheld must file estimated tax returns using the 1.25% rate for 2005 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 2005 using the 1.25% rate.

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Income tax revenues are allocated based on City ordinance with the exception of the Street Maintenance and Repair Special fund portion which is decided by vote. In 2005, 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, Stormwater/Streets, General Purpose Capital, Fire Capital, Computer/Electronic Technology, Unanticipated Capital, and Recreation Center.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Homestead/Rollback	\$ 173,888
Estate Tax	45,358
Auto Registration	150,298
Gasoline Tax	411,272
Permissive Tax	24,737
Local Government	428,176
Court Fees	223,517
Services	30,291
Grants	540,034
Total	\$ 2,027,571

Taxes Receivables

A summary of taxes receivables follows:

	Amount
Governmental Activities:	
Real Estate Tax	\$ 3,286,161
Municipal Income Tax	701,511
Total	\$ 3,987,672
 Business-Type Activities	
Municipal Income Tax	\$ 47,814

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 9 – Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 12/31/04	Additions	Reductions	Balance 12/31/05
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,021,974	\$ 0	\$ 0	\$ 1,021,974
Construction in Progress	0	695,735	0	695,735
Total Capital Assets, not being depreciated	<u>1,021,974</u>	<u>695,735</u>	<u>0</u>	<u>1,717,709</u>
<i>Capital Assets, being depreciated:</i>				
Buildings	4,620,755	48,847	0	4,669,602
Improvements	5,129,297	612,145	0	5,741,442
Furniture and Equipment	4,940,218	176,999	0	5,117,217
Vehicles	3,923,617	650,174	0	4,573,791
Infrastructure				
Roads	1,648,288	1,193,646	0	2,841,934
Storm Sewers	30,051	0	0	30,051
Culverts	17,932	0	0	17,932
Traffic Signals	16,152	0	0	16,152
Total Capital Assets, being depreciated	<u>20,326,310</u>	<u>2,681,811</u>	<u>0</u>	<u>23,008,121</u>
Less Accumulated Depreciation:				
Buildings	(1,923,189)	(115,994)	0	(2,039,183)
Improvements	(1,250,377)	(319,321)	0	(1,569,698)
Furniture and Equipment	(2,890,964)	(376,471)	0	(3,267,435)
Vehicles	(3,208,051)	(762,299)	0	(3,970,350)
Infrastructure				
Roads	(73,007)	(94,731)	0	(167,738)
Storm Sewers	(2,162)	(1,202)	0	(3,364)
Culverts	(1,195)	(1,077)	0	(2,272)
Traffic Signals	(2,154)	(1,195)	0	(3,349)
Total Accumulated Depreciation	<u>(9,351,099)</u>	<u>(1,672,290)</u>	<u>0</u>	<u>(11,023,389)</u>
Total Capital Assets being depreciated, net	<u>10,975,211</u>	<u>1,009,521</u>	<u>0</u>	<u>11,984,732</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,997,185</u>	<u>\$ 1,705,256</u>	<u>\$ 0</u>	<u>\$ 13,702,441</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

	Balance 12/31/04	Additions	Reductions	Balance 12/31/05
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 3,065,568	\$ 0	\$ 0	\$ 3,065,568
<i>Capital Assets, being depreciated:</i>				
Buildings	11,986,001	0	0	11,986,001
Improvements	13,435,965	0	0	13,435,965
Furniture and Equipment	3,309,669	120,702	0	3,430,371
Vehicles	2,160,335	70,499	0	2,230,834
Infrastructure:				
Water Lines	13,449,842	129,600	0	13,579,442
Storm Sewer	0	25,430	0	25,430
Total Capital Assets, being depreciated	44,341,812	346,231	0	44,688,043
Less Accumulated Depreciation:				
Buildings	(1,347,542)	(281,083)	0	(1,628,625)
Improvements	(9,040,174)	(686,099)	0	(9,726,273)
Furniture and Equipment	(3,080,708)	(52,538)	0	(3,133,246)
Vehicles	(1,989,617)	(93,379)	0	(2,082,996)
Infrastructure:				
Water Lines	(1,204,364)	(654,474)	0	(1,858,838)
Storm Sewer	0	(1,017)	0	(1,017)
Total Accumulated Depreciation	(16,662,405)	(1,768,590)	0	(18,430,995)
Total Capital Assets being depreciated, net	27,679,407	(1,422,359)	0	26,257,048
Business-Type Activities Capital Assets, Net	\$ 30,744,975	\$ (1,422,359)	\$ 0	\$ 29,322,616

Depreciation expense was charged to programs as follows:

<i>Governmental Activities:</i>	
General Government	\$ 1,409,433
Transportation	130,536
Security of Persons	122,354
Leisure	9,967
Total	<u>\$ 1,672,290</u>
<i>Business-Type Activities:</i>	
Water	\$ 1,344,116
Sanitation	176,996
Recreation Center	162,437
Airport	57,204
Storm Water	27,837
Total	<u>\$ 1,768,590</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 9.55% for the year 2005. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS were \$928,133 for December 31, 2005 and \$859,188 and \$757,274 for years ended December 31, 2004 and 2003 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 2005 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 \$430,854 and \$37,963 for the year ended December 31, 2005, \$437,951 and \$36,239 for the year ended December 31, 2004, and \$352,973 and \$250,801 for the year ended December 31, 2003. The full amount has been contributed for 2005, 2004, and 2003.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 2005, member and employer contribution rates for all three plans for local government employer units were 13.55% of covered payroll; 4% was the portion that was used to fund health care for the year, which amounted to \$37,125.

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 \$29.5 billion and \$18.7 billion, respectively. As of December 31, 2004 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.8 billion. The number of statewide benefit recipients eligible for OPEB at December 31, 2005 was 376,109.

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 2005. In addition, since July 1, 1993, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

The City's actual contributions for 2005 that were used to fund post-employment benefits were \$171,049 for police and \$12,262 for fire. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 12 – Compensated Absences

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

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

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

Employees may elect to receive compensatory time off in lieu of overtime. Currently the maximum balance is 160 hours for police communications employees and 120 hours for other employees.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 13 – Long Term Obligations

General Obligation Bonds

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

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

General obligation bonds currently outstanding are as follows:

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

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

Year Ending December 31,	General Obligation Bonds					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 241,200	\$ 10,749	\$ 251,949	\$ 880,000	\$ 892,963	\$ 1,772,963
2007	241,200	5,375	246,575	905,000	861,298	1,766,298
2008	145,000	0	145,000	940,000	828,498	1,768,498
2009	145,000	0	145,000	975,000	792,922	1,767,922
2010	145,000	0	145,000	1,005,000	754,625	1,759,625
2011 - 2015	0	0	0	5,650,000	3,101,363	8,751,363
2016 - 2020	0	0	0	6,825,000	1,687,596	8,512,596
2021 - 2022	0	0	0	2,540,000	175,766	2,715,766
Total	<u>\$ 917,400</u>	<u>\$ 16,124</u>	<u>\$ 933,524</u>	<u>\$ 19,720,000</u>	<u>\$ 9,095,031</u>	<u>\$ 28,815,031</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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
Water Line (66.76%)	1988	2013	5.30% to 9.00%	53,037
Street Improvements	1991	2011	6.625% to 6.80%	440,000
Street Improvements	1992	2012	4.40% to 10.00%	780,000
Street Improvements	1994	2014	5.40% to 5.75%	1,090,000
Street Improvements	1998	2013	4.50%	127,000
Total				\$ 3,908,183
Business-Type Activities				
Water Line (33.24%)	1988	2013	5.30% to 9.00%	\$ 26,407

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
2006	\$ 211,473	\$ 110,523	\$ 321,996	\$ 2,327	\$ 1,120	\$ 3,447
2007	227,473	98,162	325,635	2,327	994	3,321
2008	218,673	84,715	303,388	2,327	868	3,195
2009	224,341	71,894	296,235	2,659	743	3,402
2010	234,341	58,925	293,266	2,659	599	3,258
2011 - 2015	801,357	111,232	912,589	8,643	934	9,577
Total	\$ 1,917,658	\$ 535,451	\$ 2,453,109	\$ 20,942	\$ 5,258	\$ 26,200

Loans Payable

A. Leaf Machine

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

Year Ending December 31,	Loan Payable		
	Governmental Activities		
	Principal	Interest	Total
2006	\$ 33,756	\$ 1,659	\$ 35,415

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

B. Water Tank

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

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

Year Ending December 31,	Loan Payable		
	Business-Type Activities		
	Principal	Interest	Total
2006	\$ 56,700	\$ 65,746	\$ 122,446
2007	59,367	63,079	122,446
2008	62,160	60,286	122,446
2009	65,084	57,362	122,446
2010	68,146	54,300	122,446
2011 - 2015	391,941	220,289	612,230
2016 - 2020	493,236	119,014	612,250
2021 - 2023	231,276	13,597	244,873
Total	\$ 1,427,910	\$ 653,673	\$ 2,081,583

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Changes in Long Term Liabilities

Long term liability activity for the year ended December 31, 2005 was as follows:

	Balance 01/01/05	Additions	Reductions	Balance 12/31/05	Due Within One Year
Governmental Activities					
<i>General Obligation Bonds</i>					
Parking Improvements	\$ 48,600	\$ 0	\$ (16,200)	\$ 32,400	\$ 16,200
Fire Station	870,000	0	(145,000)	725,000	145,000
Street Improvements	240,000	0	(80,000)	160,000	80,000
<i>Total General Obligation Bonds</i>	<u>1,158,600</u>	<u>0</u>	<u>(241,200)</u>	<u>917,400</u>	<u>241,200</u>
<i>Special Assessment Bonds</i>					
Street Improvements	46,064	0	(4,006)	42,058	4,673
Parking Improvements	41,400	0	(13,800)	27,600	13,800
Street Improvements	580,000	0	(45,000)	535,000	45,000
Street Improvements	60,000	0	(15,000)	45,000	15,000
Street Improvements	220,000	0	(25,000)	195,000	25,000
Street Improvements	415,000	0	(40,000)	375,000	45,000
Street Improvements	680,000	0	(55,000)	625,000	55,000
Street Improvements	81,000	0	(8,000)	73,000	8,000
<i>Total Special Assessment Bonds</i>	<u>2,123,464</u>	<u>0</u>	<u>(205,806)</u>	<u>1,917,658</u>	<u>211,473</u>
Loan Payable	65,973	0	(32,217)	33,756	33,756
Compensated Absences	717,813	659,762	(537,241)	840,334	632,479
Total Governmental Long Term Liabilities	<u><u>\$ 4,065,850</u></u>	<u><u>\$ 659,762</u></u>	<u><u>\$ (1,016,464)</u></u>	<u><u>\$ 3,709,148</u></u>	<u><u>\$ 1,118,908</u></u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

	Balance 01/01/05	Additions	Reductions	Balance 12/31/05	Due Within One Year
Business-Type Activities					
<i>General Obligation Bonds</i>					
Water Improvements	\$ 550,000	\$ 0	\$ (50,000)	\$ 500,000	\$ 50,000
Water Improvements	7,500,000	0	(310,000)	7,190,000	320,000
Water Improvements	5,645,000	0	(225,000)	5,420,000	230,000
Recreation Center	2,470,000	0	(85,000)	2,385,000	90,000
Recreation Center	4,410,000	0	(185,000)	4,225,000	190,000
<i>Total General Obligation Bonds</i>	<u>20,575,000</u>	<u>0</u>	<u>(855,000)</u>	<u>19,720,000</u>	<u>880,000</u>
<i>Special Assessment Bonds</i>					
Water Line	22,936	0	(1,994)	20,942	2,327
<i>Total Special Assessment Bonds</i>	<u>22,936</u>	<u>0</u>	<u>(1,994)</u>	<u>20,942</u>	<u>2,327</u>
Loan Payable	1,482,064	0	(54,154)	1,427,910	56,700
Compensated Absences	207,760	165,237	(152,337)	220,660	162,752
Total Business-Type Activities					
Long Term Liabilities	<u>\$ 22,287,760</u>	<u>\$ 165,237</u>	<u>\$ (1,063,485)</u>	<u>\$ 21,389,512</u>	<u>\$ 1,101,779</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 14 – Internal Notes Receivable/Payable

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

Internal notes currently outstanding are as follows:

Purpose	Original Issue Date	Maturity Date	Interest Rates	Original Issue Amount
<i>Governmental Activities</i>				
Lake/Smith Intersection	03/15/05	02/28/06	0%	\$ 251,000
CHIP Grant	10/31/05	10/24/06	0%	150,957
North Jefferson/E. Reagan Intersection	08/26/05	08/22/06	0%	164,644
Airport Hanger	06/30/05	06/27/06	0%	143,250
Ohio Clean Trail	03/28/05	03/28/06	0%	309,767
Cops in School	10/31/05	10/24/06	0%	46,422
E. Union Reconstruction	04/30/05	04/25/06	0%	95,000
Intensive Probation Service	06/30/05	06/27/06	0%	115,039
Certified Local Government Grant	06/30/05	06/27/06	0%	20,000
2004 CHIP Grant	10/31/05	10/24/06	0%	465,375
Airport Vision 100 Grant	04/20/05	04/25/06	0%	15,425
N. State/ S. Broadway Railroad Crossing	07/14/04	07/12/05	0%	81,977
2004 Weed Cutting	06/30/05	06/27/06	0%	7,500
PUCO Grade Crossing	10/31/05	10/24/06	0%	3,000
2004 CDBG	04/30/05	04/25/06	0%	97,000
2005 CDBG	12/30/05	12/22/06	0%	92,000
2005 Weed Cutting	05/30/05	05/23/06	0%	5,000
E. Union Reconstruction Phase 2	04/30/05	04/25/06	0%	165,000
Total				<u>\$ 2,228,356</u>
<i>Business-Type Activities</i>				
Sanitation Vehicle	08/26/05	08/22/06	0%	70,000
Airport Vision 100 Grant	04/20/05	07/25/06	0%	2,845
Total				<u>\$ 72,845</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Internal note activity for the year ended December 31, 2005, consisted of the following:

	Balance 01/01/05	Additions	Reductions	Balance 12/31/05
Governmental Activities				
2003 CDBG Grant	\$ 97,000	\$ 0	\$ (97,000)	\$ 0
2004 CDBG Grant	0	97,000	0	97,000
2005 CDBG Grant	0	92,000	0	92,000
2003 Weed Cutting	1,678	528	(2,206)	0
2004 Weed Cutting	7,500	7,500	(8,490)	6,510
2005 Weed Cutting	0	5,000	0	5,000
Airport Vision 100 Grant	56,907	15,425	(56,907)	15,425
Airport Ramp	44,406	0	(44,406)	0
Airport Hanger	166,667	143,250	(166,667)	143,250
Certified Local Government	20,000	20,000	(20,000)	20,000
CHIP Grant	181,481	150,957	(181,481)	150,957
CHIP Grant	527,500	465,375	(527,500)	465,375
Cops in School Grant	21,461	46,422	(30,060)	37,823
E. Union Reconstruction	95,000	95,000	(95,000)	95,000
E. Union Reconstruction Phase 2	0	165,000	0	165,000
Intensive Probation 7/05 - 6/06	0	115,039	(21,926)	93,113
Intensive Probation 7/04 - 6/05	95,960	115,039	(210,999)	0
Lake/Smith Intersection	251,000	251,000	(251,000)	251,000
N. Jefferson/E. Reagan Intersection	164,644	164,644	(164,644)	164,644
N. State/S. Broadway Railroad Crossing	81,977	81,977	(81,977)	81,977
Ohio Clean Trail Grant	330,000	309,767	(330,000)	309,767
Ohio Historic/Architectural	8,515	8,515	(17,030)	0
Public Safety E 911 Grant	31,713	31,713	(63,426)	0
PUCO Grade Crossing	0	3,000	0	3,000
Taser Grant	0	10,000	(10,000)	0
<i>Total Governmental Activities</i>	<u>2,183,409</u>	<u>2,394,151</u>	<u>(2,380,719)</u>	<u>2,196,841</u>
Business-Type Activities				
Airport Hanger	4,160	0	(4,160)	0
Sanitation Vehicle	70,000	70,000	(70,000)	70,000
Airport Vision 100	0	2,845	0	2,845
<i>Total Business-Type Activities</i>	<u>74,160</u>	<u>72,845</u>	<u>(74,160)</u>	<u>72,845</u>
<i>Internal Notes</i>	<u>\$ 2,257,569</u>	<u>\$ 2,466,996</u>	<u>\$ (2,454,879)</u>	<u>\$ 2,269,686</u>

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

A summary of the internal obligations by fund for the year ended December 31, 2005, are as follows:

Receivable Fund	Payable Fund	Amount
Water Fund	Other Governmental	\$ 1,707,825
Water Fund	Sanitation	70,000
Sanitation Fund	Other Governmental	489,016
Sanitation Fund	Airport	2,845
Total		\$ 2,269,686

Note 15 – Risk Management

Property and Liability

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

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

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

Medical

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

Note 16 - Investment in Joint Venture and Restatement of Business-Type Activities Net Assets

The City is a member of the Medina-Lorain Water Consortium (the Consortium), which is a joint venture between the City of Avon Lake, the Rural Lorain County Water Authority, Medina County, and the City of Medina. The Consortium was created in 1999 for the purpose of construction, operation and maintenance of a water transmission line to serve the members of the Consortium, and for the purpose of bulk water delivery from the City of Avon Lake. There is an ongoing financial responsibility for all parties for the maintenance and repair of the project. The Consortium is governed by representatives of the member parties. The City of Avon Lake serves as the fiscal agent for the Consortium. As of December 31, 2005, the City's equity interest in the Consortium was \$8,498,815. Financial information can be obtained from Joe Newlin, City of Avon Lake Finance Director, 150 Avon Beldon Road, Avon Lake, Ohio 44012.

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

The investment in this joint venture was not recorded in fiscal year 2004, therefore the net assets of the Water fund were understated. The following reflects the adjustment for the addition of the investment:

	Business-Type Activities				Total
	Water Fund	Sanitation Fund	Recreation Center	Nonmajor	
Net Assets December 31, 2004	\$ 10,963,240	\$ 1,464,719	\$ 511,919	\$ 2,934,615	\$ 15,874,493
Investment in Joint Venture	8,498,815	0	0	0	8,498,815
Restated Net Assets December 31, 2004	<u>\$ 19,462,055</u>	<u>\$ 1,464,719</u>	<u>\$ 511,919</u>	<u>\$ 2,934,615</u>	<u>\$ 24,373,308</u>

Note 17 – Contingencies

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

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

Note 18 – Recreation Center Joint Operating Agreement

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

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

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

City of Medina, Medina County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 19 - Contractual Commitments

As of December 31, 2005, the City had contractual commitments for the following:

	Contractual Commitment	Expended	Balance 12/31/05
TriMor Corporation			
Guilford Phase 2	\$ 775,077	\$ 666,069	\$ 109,008
Kent's Excavating			
Champion Creek Tributary	44,526	29,666	14,860
 Total	 \$ 819,603	 \$ 695,735	 \$ 123,868

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

September 5, 2006

To the Honorable Mayor and City Council
City of Medina
Medina County, Ohio

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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 as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 5, 2006 which included an explanatory qualification paragraph relating to capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Medina's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted one matter involving the internal control over financial reporting and its operation that we consider to be a material weakness, which is disclosed in the accompanying schedule of findings as item 2005-001. We noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Medina in a separate letter dated September 5, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Medina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Medina in a separate letter dated September 5, 2005.

This report is intended solely for the information and use of City Council, management, and federal awarding agencies, and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

September 5, 2006

To the Honorable Mayor and City Council
City of Medina
Medina County, Ohio

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

Compliance

We have audited the compliance of the City of Medina with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to the City's major program for the year ended December 31, 2005. The City's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Medina's management. Our responsibility is to express an opinion on the City of Medina'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 the OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Medina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Medina's compliance with those requirements.

In our opinion, City of Medina complied, in all material respects, with the requirements referred to above that are applicable to its major program for the year ended December 31, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133. However, we noted a certain immaterial instance of noncompliance that we reported to management of the City of Medina in a separate letter dated September 5, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Medina as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 5, 2006 which included an explanatory qualification paragraph relating to capital assets. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Rea & Associates, Inc.

CITY OF MEDINA, OHIO
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

Federal Grantor/Pass Through Grantor Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the Ohio Department of Development: Community Development Block Grant	A-C-04-147-1	14.228	\$ 76,537
HOME Investment Partnership Program	A-C-04-147-2	14.239	<u>322,502</u>
Total U.S. Department of Housing and Urban Development			<u>399,039</u>
<u>U.S. Department of Justice:</u>			
Direct Programs: Public Safety Partnership and Community Policing Events		16.710	36,817
Passed through the Bureau of Justice Assistance: Bulletproof Vest Partnership Program	6131649	16.607	1,317
Total U.S. Department of Justice			<u>38,134</u>
<u>U.S. Department of Transportation</u>			
Direct Programs: Airport Improvement Program		20.105	108,844
Total U.S. Department of Transportation			<u>108,844</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Ohio Department of Public Safety: Disaster Assistance	1484-DR-103-48790	97.036	40,361
Total US Department of Homeland Security			<u>40,361</u>
Total Federal Financial Assistance			<u><u>\$586,378</u></u>

See Accompanying notes to the Schedule of Federal Awards Expenditures

CITY OF MEDINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Qualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	HOME Investment Partnerships Program CFDA #14.239
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2005-001

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, or has it recorded, the historical values for several parcels of land owned by the City.

FINDING NUMBER 2005-001 (Continued)

Material Weakness (Continued)

Capital Assets:(Continued)

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

We recommend that management:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None were noted



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 28, 2006**