

**City of Medina  
Medina County, Ohio**

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*Financial Statements*

***December 31, 2007***





Mary Taylor, CPA  
Auditor of State

City Council  
City of Medina  
132 N. Elmwood Avenue  
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, 2007 through December 31, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 3, 2008

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# City of Medina, Ohio

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

June 6, 2008

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, 2007 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, 2007 (stated at \$3,494,461, \$14,875,441, \$3,065,568, and \$23,168,738, 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 \$13,67,241, \$1,435,711, \$21,747,882, and \$1,623,125, respectively). Due to our inability to obtain assurance on the amounts recorded as capital assets, we are also unable to obtain assurance as to the amounts recorded as Invested in Capital Assets, Net of Related Debt for the governmental activities and business-type activities (stated at \$16,009,778 and \$6,971,175, 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, 2007 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 June 6, 2008 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 14 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, 2007*

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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, 2007.

Please read it in conjunction with the City's basic financial statements, which begin on page 15.

*Financial Highlights*

Key financial highlights for 2007 are as follows:

- The City's net assets increased \$5.7 million as a result of this year's operations. Net assets of the business-type activities decreased by approximately \$.1 million, or .59%, and net assets of governmental activities increased by \$5.8 million, or 13.5%.
- The City did not issue General Obligation Bonds in 2007 and continued reducing its overall outstanding debt obligations. The governmental activities reduced debt by \$.3 million and the business-type activities made nearly \$1.0 million in principal payments.
- Capital assets increased 17.4% through construction in progress and improvements to buildings and roads.

The Statement of Net Assets and the Statement of Activities (on pages 15 and 16-17) 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 18. 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.

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*For the Year Ended December 31, 2007*

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

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

*Reporting the City's Most Significant Funds*

*Fund Financial Statements*

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special assessment bond fund, 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 10.

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

The proprietary fund financial statements begin on page 25.

**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 28.

**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 31.

**City of Medina**  
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*The City as a Whole*

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

Table 1 provides a summary of the City's net assets for 2007 compared to 2006:

**(Table 1)**  
**Net Assets**

|   | Governmental<br>Activities |                      | Business-Type<br>Activities |                      | Total                |                      |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|   | 2007                       | Restated<br>2006     | 2007                        | Restated<br>2006     | 2007                 | 2006                 |
| <b>Assets</b>                             |                            |                      |                             |                      |                      |                      |
| Current and Other Assets                  | \$ 37,775,234              | \$ 34,963,578        | \$ 16,825,491               | \$ 16,437,502        | \$ 54,600,725        | \$ 51,401,080        |
| Capital Assets, Net                       | 18,369,902                 | 15,650,684           | 26,234,306                  | 27,843,034           | 44,604,208           | 43,493,718           |
| Total Assets                              | <u>56,145,136</u>          | <u>50,614,262</u>    | <u>43,059,797</u>           | <u>44,280,536</u>    | <u>99,204,933</u>    | <u>94,894,798</u>    |
| <b>Liabilities</b>                        |                            |                      |                             |                      |                      |                      |
| Current and Other<br>Liabilities          | 4,358,374                  | 4,416,596            | 434,762                     | 555,230              | 4,793,136            | 4,971,826            |
| Long Term Liabilities                     |                            |                      |                             |                      |                      |                      |
| Due Within One Year                       | 469,875                    | 664,507              | 1,057,927                   | 1,020,482            | 1,527,802            | 1,684,989            |
| Due in More than One Year                 | 2,360,109                  | 2,399,610            | 18,318,531                  | 19,317,737           | 20,678,640           | 21,717,347           |
| Total Liabilities                         | <u>7,188,358</u>           | <u>7,480,713</u>     | <u>19,811,220</u>           | <u>20,893,449</u>    | <u>26,999,578</u>    | <u>28,374,162</u>    |
| <b>Net Assets</b>                         |                            |                      |                             |                      |                      |                      |
| Invested in Capital<br>Assets Net of Debt | 16,009,778                 | 12,958,655           | 6,971,175                   | 7,613,210            | 22,980,953           | 20,571,865           |
| Restricted                                |                            |                      |                             |                      |                      |                      |
| Capital Outlay                            | 3,312,742                  | 3,601,193            | 0                           | 0                    | 3,312,742            | 3,601,193            |
| Debt Service                              | 5,761,287                  | 4,771,363            | 0                           | 0                    | 5,761,287            | 4,771,363            |
| Police Operating                          | 2,963,526                  | 2,613,430            | 0                           | 0                    | 2,963,526            | 2,613,430            |
| Stormwater Construction and Repair        | 2,097,218                  | 2,141,714            | 0                           | 0                    | 2,097,218            | 2,141,714            |
| Other                                     | 7,353,060                  | 6,870,764            | 0                           | 0                    | 7,353,060            | 6,870,764            |
| Unrestricted                              | <u>11,459,167</u>          | <u>10,176,430</u>    | <u>16,277,402</u>           | <u>15,773,877</u>    | <u>27,736,569</u>    | <u>25,950,307</u>    |
| Total Net Assets                          | <u>\$ 48,956,778</u>       | <u>\$ 43,133,549</u> | <u>\$ 23,248,577</u>        | <u>\$ 23,387,087</u> | <u>\$ 72,205,355</u> | <u>\$ 66,520,636</u> |

The City's *combined* net assets changed from a year ago, *increasing* from \$66.5 million to \$72.2 million. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge.

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Net assets in the City's governmental activities increased by 13.5% (\$49.0 million compared to \$43.1 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 \$10.2 million at December 31, 2006, to \$11.5 million at the end of 2007. Restricted net assets, those restricted mainly for capital projects and special purposes such as street cleaning or maintenance increased by \$1.5 million. The investment in capital assets, net of debt category increased by \$3.1 million. An increase in general revenues such as investment income and grants along with additional land and building improvements and road reconstruction contributed to the increase in net assets.

Net assets in the City's business-type activities decreased by \$.1 million or .59% (\$23.4 million compared to \$23.3 million) in 2007. The City generally can only use these net assets to finance the continuing operations of the water, sewer, refuse operations and other business-type activities of the City.

Table 2 shows the changes in net assets for fiscal years 2007 and 2006. This will enable readers to draw further conclusions about the City's financial status and possibly project future problems.

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**Table 2**  
**Change in Net Assets**

|                                    | Governmental Activities |                     | Business-Type Activities |                     | Total               |                     |
|------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                                    | Restated                |                     | Restated                 |                     |                     |                     |
|                                    | 2007                    | 2006                | 2007                     | 2006                | 2007                | 2006                |
| <b>Revenues</b>                    |                         |                     |                          |                     |                     |                     |
| <i>Program Revenues:</i>           |                         |                     |                          |                     |                     |                     |
| Charges for Services               | \$ 3,130,749            | \$ 3,176,068        | \$ 9,228,963             | \$ 8,773,977        | \$ 12,359,712       | \$ 11,950,045       |
| Operating Grants and Contributions | 1,928,098               | 2,186,049           | 0                        | 0                   | 1,928,098           | 2,186,049           |
| Capital Grants                     | 156,727                 | 67,744              | 0                        | 0                   | 156,727             | 67,744              |
| <b>Total Program Revenues</b>      | <b>5,215,574</b>        | <b>5,429,861</b>    | <b>9,228,963</b>         | <b>8,773,977</b>    | <b>14,444,537</b>   | <b>14,203,838</b>   |
| <i>General Revenue:</i>            |                         |                     |                          |                     |                     |                     |
| City Income Taxes                  | 12,426,833              | 14,680,027          | 783,667                  | 961,494             | 13,210,500          | 15,641,521          |
| Property Taxes                     | 2,682,385               | 3,140,249           | 0                        | 0                   | 2,682,385           | 3,140,249           |
| Grants and Contributions           | 1,917,496               | 1,615,623           | 0                        | 0                   | 1,917,496           | 1,615,623           |
| Interest and Investment Earnings   | 1,499,030               | 935,437             | 255,983                  | 139,939             | 1,755,013           | 1,075,376           |
| Other                              | 49,067                  | 181,171             | 8,669                    | 23,975              | 57,736              | 205,146             |
| <b>Total General Revenues</b>      | <b>18,574,811</b>       | <b>20,552,507</b>   | <b>1,048,319</b>         | <b>1,125,408</b>    | <b>19,623,130</b>   | <b>21,677,915</b>   |
| <b>Total Revenues</b>              | <b>23,790,385</b>       | <b>25,982,368</b>   | <b>10,277,282</b>        | <b>9,899,385</b>    | <b>34,067,667</b>   | <b>35,881,753</b>   |
| <b>Program Expenses</b>            |                         |                     |                          |                     |                     |                     |
| General Government                 | 5,995,288               | 5,707,409           | 0                        | 0                   | 5,995,288           | 5,707,409           |
| Security of Persons and Property   | 6,883,360               | 6,507,538           | 0                        | 0                   | 6,883,360           | 6,507,538           |
| Public Health                      | 148,402                 | 135,463             | 0                        | 0                   | 148,402             | 135,463             |
| Community Development              | 888,567                 | 927,116             | 0                        | 0                   | 888,567             | 927,116             |
| Transportation                     | 3,161,731               | 1,933,168           | 0                        | 0                   | 3,161,731           | 1,933,168           |
| Basic Utility                      | 62,520                  | 60,014              | 0                        | 0                   | 62,520              | 60,014              |
| Leisure Time Activities            | 697,722                 | 1,022,909           | 0                        | 0                   | 697,722             | 1,022,909           |
| Interest on Long Term Debt         | 129,566                 | 148,565             | 0                        | 0                   | 129,566             | 148,565             |
| Water                              | 0                       | 0                   | 4,969,289                | 4,833,245           | 4,969,289           | 4,833,245           |
| Sanitation                         | 0                       | 0                   | 2,970,121                | 2,942,849           | 2,970,121           | 2,942,849           |
| Recreation Center                  | 0                       | 0                   | 2,375,293                | 2,667,810           | 2,375,293           | 2,667,810           |
| Airport                            | 0                       | 0                   | 66,576                   | 65,153              | 66,576              | 65,153              |
| Storm Sewer                        | 0                       | 0                   | 34,513                   | 27,837              | 34,513              | 27,837              |
| <b>Total Expenses</b>              | <b>17,967,156</b>       | <b>16,442,182</b>   | <b>10,415,792</b>        | <b>10,536,894</b>   | <b>28,382,948</b>   | <b>26,979,076</b>   |
| <b>Change in Net Assets</b>        | <b>\$ 5,823,229</b>     | <b>\$ 9,540,186</b> | <b>\$ (138,510)</b>      | <b>\$ (637,509)</b> | <b>\$ 5,684,719</b> | <b>\$ 8,902,677</b> |

**City of Medina**  
**Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*

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**Governmental Activities**

Governmental activities accounted for an increase in net assets of \$5.8 million.

Revenues provided by specific programs include charges for services which are 13.2% of all governmental revenue. Revenues provided by sources other than city residents in the form of operating and capital grants comprise another 8.8%.

The 1.25% income tax is the largest single source of revenue for the City providing 52.2% of total revenue. 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 2007, 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.

Another major component of general revenue is property taxes, which amounted to 11.3% of total revenues. All other general revenues account for 14.5% of the remaining revenue.

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**

|                                  | 2007                 |                      | 2006                 |                      |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                  | Total Cost           | Net Cost             | Total Cost           | Net Cost             |
| General Government               | \$ 5,995,288         | \$ 4,503,387         | \$ 5,707,409         | \$ 3,898,596         |
| Security of Persons and Property | 6,883,360            | 5,192,784            | 6,507,538            | 4,818,803            |
| Public Health                    | 148,402              | 143,372              | 135,463              | 130,047              |
| Community Development            | 888,567              | 792,199              | 927,116              | 590,884              |
| Transportation                   | 3,161,731            | 1,352,904            | 1,933,168            | 471,722              |
| Basic Utility                    | 62,520               | 6,715                | 60,014               | (4,204)              |
| Lesiure Time                     | 697,722              | 630,655              | 1,022,909            | 957,908              |
| Interest and Fiscal Charges      | 129,566              | 129,566              | 148,565              | 148,565              |
| <i>Total Expenses</i>            | <u>\$ 17,967,156</u> | <u>\$ 12,751,582</u> | <u>\$ 16,442,182</u> | <u>\$ 11,012,321</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.

**City of Medina**  
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**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 net assets of the business-type activities decreased \$.1 million in 2007. This change was a net effect of the individual funds that make up the total business-type activities. See the discussion below on the analysis of individual enterprise funds.

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

*The City's Funds*

**Governmental Funds**

Information about the City's major governmental funds begins on page 18. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$24.0 million and expenditures of \$20.9 million. The General Fund balance increased \$1.8 million, due in a large part to the increase in interest revenue. The Special Assessment Debt Service Fund balance decreased \$.02 million, the Police Special Fund increased \$.4 million and the Stormwater/Street Fund decreased \$.05 million.

**Enterprise Funds**

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

The water fund had a decrease in net assets of \$.6 million mainly due to interest payments on long term obligations. The net assets of the sanitation fund increased \$.3 million as the fund continues to generate enough revenue to cover expenses. The recreation center fund net assets increased \$.3 million by cutting expenses. There is no significant item that accounts for the decrease of less than \$.1 million in the nonmajor enterprise funds.

Information about the City's major proprietary funds begins on page 25.



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*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 dividing personal services within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

Actual expenditures were less than original appropriations by \$.9 million and less than final appropriations by \$2.5 million due to some appropriations not being spent. This occurred due to cost saving actions by City officials and appropriations for contingencies not realized and delayed implementation of projects for cost saving and other reasons. Actual revenues exceeded original budget by \$1.7 million and exceeded final budget revenues by \$.6 million due to improving economic climate between the time of the estimates 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, 2007*

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**Capital Asset and Debt Administration**

*Capital Assets*

At the end of 2007, the City had \$44.6 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 2007 balances compared with 2006.

**(Table 4)**  
**Capital Assets**  
**(Net of Depreciation)**

|                            | Governmental Activities |               | Business-Type Activities |               | Total         |               |
|----------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
|                            | 2007                    | 2006          | 2007                     | 2006          | 2007          | 2006          |
| Land                       | \$ 1,141,993            | \$ 1,077,742  | \$ 3,065,568             | \$ 3,065,568  | \$ 4,207,561  | \$ 4,143,310  |
| Construction in Progress   | 2,352,468               | 1,392,758     | 0                        | 0             | 2,352,468     | 1,392,758     |
| Buildings and Improvements | 7,355,867               | 6,572,734     | 12,200,018               | 13,149,096    | 19,555,885    | 19,721,830    |
| Furniture and Equipment    | 1,427,864               | 1,543,714     | 188,654                  | 295,029       | 1,616,518     | 1,838,743     |
| Vehicles                   | 866,737                 | 778,447       | 117,875                  | 143,815       | 984,612       | 922,262       |
| Infrastructure             | 5,224,973               | 4,285,289     | 10,662,191               | 11,189,526    | 15,887,164    | 15,474,815    |
| Totals                     | \$ 18,369,902           | \$ 15,650,684 | \$ 26,234,306            | \$ 27,843,034 | \$ 44,604,208 | \$ 43,493,718 |

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

- Completion of the weigh station and park improvements.
- City wide traffic signal upgrade and West Park reconstruction projects are in process.

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, 2007*

*Debt*

At December 31, 2007, the City had \$18.7 million in General Obligation Bonds, \$1.5 million in Special Assessment Bonds and \$1.5 million in loans payable.

|                                  | Governmental Activities |                     | Business-Type Activities |                      | Total                |                      |
|----------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
|                                  | Restated                |                     |                          |                      | Restated             |                      |
|                                  | 2007                    | 2006                | 2007                     | 2006                 | 2007                 | 2006                 |
| <i>General Obligation Bonds:</i> |                         |                     |                          |                      |                      |                      |
| 1987 Parking Improvement Bonds   | \$ 0                    | \$ 16,200           | \$ 0                     | \$ 0                 | \$ 0                 | \$ 16,200            |
| 1991 Fire Station                | 725,000                 | 725,000             | 0                        | 0                    | 725,000              | 725,000              |
| 1997 Street Improvements         | 0                       | 80,000              | 0                        | 0                    | 0                    | 80,000               |
| Various Water Improvement Bonds  | 0                       | 0                   | 11,890,000               | 12,510,000           | 11,890,000           | 12,510,000           |
| Recreation Center                | 0                       | 0                   | 6,045,000                | 6,330,000            | 6,045,000            | 6,330,000            |
|                                  | <u>725,000</u>          | <u>821,200</u>      | <u>17,935,000</u>        | <u>18,840,000</u>    | <u>18,660,000</u>    | <u>19,661,200</u>    |
| <i>Special Assessment Bonds:</i> |                         |                     |                          |                      |                      |                      |
| Various Street Improvements      | 1,478,712               | 1,692,385           | 0                        | 0                    | 1,478,712            | 1,692,385            |
| Various Parking Improvements     | 0                       | 13,800              | 0                        | 0                    | 0                    | 13,800               |
| Water Line                       | 0                       | 0                   | 16,288                   | 18,615               | 16,288               | 18,615               |
|                                  | <u>1,478,712</u>        | <u>1,706,185</u>    | <u>16,288</u>            | <u>18,615</u>        | <u>1,495,000</u>     | <u>1,724,800</u>     |
| <i>Loans Payable:</i>            |                         |                     |                          |                      |                      |                      |
| OWDA Loan                        | 0                       | 0                   | 1,311,842                | 1,371,210            | 1,311,842            | 1,371,210            |
| OPWC Loan                        | 156,412                 | 164,644             | 0                        | 0                    | 156,412              | 164,644              |
|                                  | <u>156,412</u>          | <u>164,644</u>      | <u>1,311,842</u>         | <u>1,371,210</u>     | <u>1,468,254</u>     | <u>1,535,854</u>     |
| Total                            | <u>\$ 2,360,124</u>     | <u>\$ 2,692,029</u> | <u>\$ 19,263,130</u>     | <u>\$ 20,229,825</u> | <u>\$ 21,623,254</u> | <u>\$ 22,921,854</u> |

At December 31, 2007, the City's governmental activities had outstanding long-term debt obligations in the amount of \$2.4 million down from \$2.7 million in 2006 represents a 12.3% decrease. The City's business-type activities debt obligation as of December 31, 2007, was \$19.3 million down from \$20.2 million in 2006 which represents a decrease of 4.8%. These decreases were the result of principal payments and no new debt issued.

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.

**City of Medina**  
**Medina County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*

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*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 the 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, 2007*

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>Assets</b>                                   |                            |                             |                      |
| Equity in Pooled Cash and Investments           | \$ 26,983,812              | \$ 6,841,329                | \$ 33,825,141        |
| Cash with Fiscal Agent                          | 12,203                     | 0                           | 12,203               |
| Receivables:                                    |                            |                             |                      |
| Accounts  | 1,930                      | 1,302,022                   | 1,303,952            |
| Interest  | 365,281                    | 86,738                      | 452,019              |
| Internal Notes Receivable                       | (998,776)                  | 998,776                     | 0                    |
| Taxes   | 6,688,354                  | 231,342                     | 6,919,696            |
| Intergovernmental                               | 1,557,166                  | 0                           | 1,557,166            |
| Special Assessments                             | 1,905,018                  | 0                           | 1,905,018            |
| Internal Balances                               | 1,163,937                  | (1,163,937)                 | 0                    |
| Prepaid Items                                   | 96,309                     | 30,406                      | 126,715              |
| Investment in Joint Venture                     | 0                          | 8,498,815                   | 8,498,815            |
| Land and Construction in Progress               | 3,494,461                  | 3,065,568                   | 6,560,029            |
| Other Capital Assets, Net of Depreciation       | 14,875,441                 | 23,168,738                  | 38,044,179           |
| <i>Total Assets</i>                             | <u>56,145,136</u>          | <u>43,059,797</u>           | <u>99,204,933</u>    |
| <b>Liabilities</b>                              |                            |                             |                      |
| Accounts Payable                                | 394,414                    | 168,523                     | 562,937              |
| Accrued Salaries, Wages and Benefits            | 870,556                    | 266,239                     | 1,136,795            |
| Accrued Interest Payable                        | 12,203                     | 0                           | 12,203               |
| Deferred Revenue                                | 3,081,201                  | 0                           | 3,081,201            |
| Long Term Liabilities:                          |                            |                             |                      |
| Due Within One Year                             | 469,875                    | 1,057,927                   | 1,527,802            |
| Due In More Than One Year                       | 2,360,109                  | 18,318,531                  | 20,678,640           |
| <i>Total Liabilities</i>                        | <u>7,188,358</u>           | <u>19,811,220</u>           | <u>26,999,578</u>    |
| <b>Net Assets</b>                               |                            |                             |                      |
| Invested in Capital Assets, Net of Related Debt | 16,009,778                 | 6,971,175                   | 22,980,953           |
| Restricted for:                                 |                            |                             |                      |
| Capital Outlay                                  | 3,312,742                  | 0                           | 3,312,742            |
| Debt Service                                    | 5,761,287                  | 0                           | 5,761,287            |
| Police Operating                                | 2,963,526                  | 0                           | 2,963,526            |
| Stormwater Construction and Repair              | 2,097,218                  | 0                           | 2,097,218            |
| Other Purposes                                  | 7,353,060                  | 0                           | 7,353,060            |
| Unrestricted                                    | 11,459,167                 | 16,277,402                  | 27,736,569           |
| <i>Total Net Assets</i>                         | <u>\$ 48,956,778</u>       | <u>\$ 23,248,577</u>        | <u>\$ 72,205,355</u> |

See accompanying notes to the basic financial statements.

**City of Medina, Medina County**  
*Statement of Activities*  
For the Year Ended December 31, 2007

|                                       | Expenses             | Program Revenues               |                                    |                                  |
|---------------------------------------|----------------------|--------------------------------|------------------------------------|----------------------------------|
|                                       |                      | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental Activities</b>        |                      |                                |                                    |                                  |
| General Government                    | \$ 5,995,288         | \$ 1,361,865                   | \$ 130,036                         | \$ 0                             |
| Security of Persons and Property      | 6,883,360            | 1,554,606                      | 135,970                            | 0                                |
| Public Health                         | 148,402              | 5,030                          | 0                                  | 0                                |
| Community Development                 | 888,567              | 0                              | 96,368                             | 0                                |
| Transportation                        | 3,161,731            | 141,554                        | 1,510,546                          | 156,727                          |
| Basic Utility                         | 62,520               | 627                            | 55,178                             | 0                                |
| Lesiure Time                          | 697,722              | 67,067                         | 0                                  | 0                                |
| Interest and Fiscal Charges           | 129,566              | 0                              | 0                                  | 0                                |
| <i>Total Governmental Activities</i>  | <u>17,967,156</u>    | <u>3,130,749</u>               | <u>1,928,098</u>                   | <u>156,727</u>                   |
| <b>Business-Type Activities</b>       |                      |                                |                                    |                                  |
| Water                                 | 4,969,289            | 4,112,321                      | 0                                  | 0                                |
| Sanitation                            | 2,970,121            | 3,217,932                      | 0                                  | 0                                |
| Recreation Center                     | 2,375,293            | 1,898,710                      | 0                                  | 0                                |
| Airport                               | 66,576               | 0                              | 0                                  | 0                                |
| Storm Sewer                           | 34,513               | 0                              | 0                                  | 0                                |
| <i>Total Business-Type Activities</i> | <u>10,415,792</u>    | <u>9,228,963</u>               | <u>0</u>                           | <u>0</u>                         |
| <i>Totals</i>                         | <u>\$ 28,382,948</u> | <u>\$ 12,359,712</u>           | <u>\$ 1,928,098</u>                | <u>\$ 156,727</u>                |

**General Revenues:**

Property Taxes Levied for:

- General Purposes
- Other Purposes
- Debt Service

Municipal Income Taxes Levied for:

- General Purposes
- Other Purposes
- Capital Outlay

Grants and Entitlements not Restricted to

- Specific Programs

Interest and Investment Earnings

Other

*Total General Revenues*

*Change in Net Assets*

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

*Net Assets End of Year*

See accompanying notes to the basic financial statements.

| Net (Expense) Revenue<br>and Changes in Net Assets |                             |                      |
|--|-----------------------------|----------------------|
| Governmental<br>Activities                         | Business-Type<br>Activities | Total                |
| \$ (4,503,387)                                     | \$ 0                        | \$ (4,503,387)       |
| (5,192,784)  | 0                           | (5,192,784)          |
| (143,372)  | 0                           | (143,372)            |
| (792,199)  | 0                           | (792,199)            |
| (1,352,904)  | 0                           | (1,352,904)          |
| (6,715)  | 0                           | (6,715)              |
| (630,655)  | 0                           | (630,655)            |
| (129,566)  | 0                           | (129,566)            |
| <u>(12,751,582)</u>                                | <u>0</u>                    | <u>(12,751,582)</u>  |
| 0  | (856,968)                   | (856,968)            |
| 0  | 247,811                     | 247,811              |
| 0  | (476,583)                   | (476,583)            |
| 0  | (66,576)                    | (66,576)             |
| 0  | (34,513)                    | (34,513)             |
| <u>0</u>   | <u>(1,186,829)</u>          | <u>(1,186,829)</u>   |
| <u>(12,751,582)</u>                                | <u>(1,186,829)</u>          | <u>(13,938,411)</u>  |
| 856,272  | 0                           | 856,272              |
| 1,797,795  | 0                           | 1,797,795            |
| 28,318   | 0                           | 28,318               |
| 2,380,844  | 783,667                     | 3,164,511            |
| 9,090,010  | 0                           | 9,090,010            |
| 955,979  | 0                           | 955,979              |
| 1,917,496  | 0                           | 1,917,496            |
| 1,499,030  | 255,983                     | 1,755,013            |
| 49,067   | 8,669                       | 57,736               |
| <u>18,574,811</u>                                  | <u>1,048,319</u>            | <u>19,623,130</u>    |
| 5,823,229  | (138,510)                   | 5,684,719            |
| <u>43,133,549</u>                                  | <u>23,387,087</u>           | <u>66,520,636</u>    |
| <u>\$ 48,956,778</u>                               | <u>\$ 23,248,577</u>        | <u>\$ 72,205,355</u> |

See accompanying notes to the basic financial statements.

**City of Medina, Medina County**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2007*

|  | General              | Special<br>Assessment<br>Debt Service | Police<br>Special   | Stormwater/<br>Street | Other<br>Governmental<br>Funds |
|--|----------------------|---------------------------------------|---------------------|-----------------------|--------------------------------|
| <b>Assets</b>                              |                      |                                       |                     |                       |                                |
| Equity in Pooled Cash and Investments      | \$ 6,927,152         | \$ 687,121                            | \$ 2,271,081        | \$ 1,416,638          | \$ 15,681,820                  |
| Cash with Fiscal Agent                     | 0                    | 12,203                                | 0                   | 0                     | 0                              |
| Receivables:                               |                      |                                       |                     |                       |                                |
| Accounts (Net of Allowance)                | 730                  | 0                                     | 0                   | 0                     | 1,200                          |
| Interest                                   | 350,151              | 0                                     | 0                   | 0                     | 15,130                         |
| Taxes                                      | 1,892,447            | 0                                     | 1,300,547           | 722,568               | 2,772,792                      |
| Intergovernmental                          | 873,172              | 0                                     | 0                   | 0                     | 683,994                        |
| Special Assessments                        | 0                    | 1,905,018                             | 0                   | 0                     | 0                              |
| Advances to Other Funds                    | 1,270                | 0                                     | 0                   | 0                     | 1,163,937                      |
| Prepaid Items                              | 37,137               | 0                                     | 37,118              | 0                     | 22,054                         |
| <i>Total Assets</i>                        | <u>\$ 10,082,059</u> | <u>\$ 2,604,342</u>                   | <u>\$ 3,608,746</u> | <u>\$ 2,139,206</u>   | <u>\$ 20,340,927</u>           |
| <b>Liabilities and Fund Balance</b>        |                      |                                       |                     |                       |                                |
| <b>Liabilities</b>                         |                      |                                       |                     |                       |                                |
| Accounts Payable                           | \$ 48,840            | \$ 0                                  | \$ 55,338           | \$ 40,019             | \$ 250,217                     |
| Internal Notes Payable                     | 0                    | 0                                     | 0                   | 0                     | 998,776                        |
| Accrued Salaries, Wages and Benefits       | 325,031              | 0                                     | 352,863             | 1,969                 | 190,693                        |
| Matured Interest Payable                   | 0                    | 12,203                                | 0                   | 0                     | 0                              |
| Advances From Other Funds                  | 0                    | 0                                     | 0                   | 0                     | 1,270                          |
| Deferred Revenue                           | 2,396,626            | 1,905,018                             | 830,518             | 461,426               | 2,853,899                      |
| <i>Total Liabilities</i>                   | <u>2,770,497</u>     | <u>1,917,221</u>                      | <u>1,238,719</u>    | <u>503,414</u>        | <u>4,294,855</u>               |
| <b>Fund Balance</b>                        |                      |                                       |                     |                       |                                |
| Reserved for Encumbrances                  | 196,210              | 0                                     | 24,231              | 874,509               | 1,047,233                      |
| Reserved for Advances                      | 1,270                | 0                                     | 0                   | 0                     | 1,163,937                      |
| Unreserved, Undesignated, Reported In:     |                      |                                       |                     |                       |                                |
| General Fund                               | 7,114,082            | 0                                     | 0                   | 0                     | 0                              |
| Special Revenue Funds                      | 0                    | 0                                     | 2,345,796           | 761,283               | 9,198,971                      |
| Debt Service Fund                          | 0                    | 687,121                               | 0                   | 0                     | 718,550                        |
| Capital Projects Funds                     | 0                    | 0                                     | 0                   | 0                     | 3,917,381                      |
| <i>Total Fund Balances</i>                 | <u>7,311,562</u>     | <u>687,121</u>                        | <u>2,370,027</u>    | <u>1,635,792</u>      | <u>16,046,072</u>              |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 10,082,059</u> | <u>\$ 2,604,342</u>                   | <u>\$ 3,608,746</u> | <u>\$ 2,139,206</u>   | <u>\$ 20,340,927</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, 2007*

|                                |  |                  |                      |
|--------------------------------|--|------------------|----------------------|
| Total<br>Governmental<br>Funds | Total Governmental Fund Balances   | \$               | 28,050,574           |
|                                | <i>Amounts reported for governmental activities in the<br/>statement of net assets are different because:</i>                                    |                  |                      |
| \$ 26,983,812                  | Capital assets used in governmental activities are not financial<br>resources and therefore are not reported in the funds                        |                  | 18,369,902           |
| 12,203                         |  |                  |                      |
| 1,930                          | Other long-term assets are not available to pay for current-<br>period expenditures and therefore are deferred in the funds.                     |                  |                      |
| 365,281                        |  |                  |                      |
| 6,688,354                      | Delinquent Property Taxes  | \$ 82,944        |                      |
| 1,557,166                      | Municipal Income Tax   | 2,250,530        |                      |
| 1,905,018                      | Intergovernmental  | 1,127,794        |                      |
| 1,165,207                      | Special Assessments  | <u>1,905,018</u> | 5,366,286            |
| 96,309                         |  |                  |                      |
| <u>\$ 38,775,280</u>           | Long-term liabilities, including bonds payable, are not due and<br>payable in the current period and therefore are not reported<br>in the funds. |                  |                      |
|                                | General Obligation and Special Assessment Bonds  | (2,203,712)      |                      |
|                                | Loan Payable   | (156,412)        |                      |
| \$ 394,414                     | Compensated Absences   | <u>(469,860)</u> | <u>(2,829,984)</u>   |
| 998,776                        |  |                  |                      |
| 870,556                        |  |                  |                      |
| 12,203                         | <i>Net Assets of Governmental Activities</i>   |                  | <u>\$ 48,956,778</u> |
| 1,270                          |  |                  |                      |
| <u>8,447,487</u>               |  |                  |                      |
| <u>10,724,706</u>              |  |                  |                      |
| 2,142,183                      |  |                  |                      |
| 1,165,207                      |  |                  |                      |
| 7,114,082                      |  |                  |                      |
| 12,306,050                     |  |                  |                      |
| 1,405,671                      |  |                  |                      |
| <u>3,917,381</u>               |  |                  |                      |
| <u>28,050,574</u>              |  |                  |                      |
| <u>\$ 38,775,280</u>           |  |                  |                      |

See accompanying notes to the basic financial statements.

**City of Medina, Medina County**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2007*

|  | General             | Special<br>Assessment<br>Debt Service | Police<br>Special   | Stormwater/<br>Street | Other<br>Governmental<br>Funds |
|--|---------------------|---------------------------------------|---------------------|-----------------------|--------------------------------|
| <b>Revenues</b>  |                     |                                       |                     |                       |                                |
| Local Taxes  | \$ 3,211,793        | \$ 0                                  | \$ 4,436,984        | \$ 2,447,950          | \$ 4,947,957                   |
| Intergovernmental Revenue  | 1,595,079           | 0                                     | 53,630              | 234,137               | 2,056,834                      |
| Fees Licenses and Permits  | 1,252,876           | 0                                     | 0                   | 0                     | 1,049,099                      |
| Special Assessments  | 0                   | 304,276                               | 0                   | 0                     | 0                              |
| Charges for Services   | 325,243             | 0                                     | 112,640             | 0                     | 370,774                        |
| Interest Income  | 1,434,990           | 0                                     | 0                   | 0                     | 64,040                         |
| Rentals  | 20,117              | 0                                     | 0                   | 0                     | 0                              |
| Gifts and Donations  | 3,800               | 0                                     | 5,350               | 0                     | 11,510                         |
| Miscellaneous  | 17,795              | 0                                     | 2,402               | 2,204                 | 6,006                          |
| <i>Total Revenues</i>  | <u>7,861,693</u>    | <u>304,276</u>                        | <u>4,611,006</u>    | <u>2,684,291</u>      | <u>8,506,220</u>               |
| <b>Expenditures</b>  |                     |                                       |                     |                       |                                |
| Current:   |                     |                                       |                     |                       |                                |
| General Government   | 5,130,130           | 0                                     | 0                   | 0                     | 858,259                        |
| Security of Persons and Property                                 | 122,323             | 0                                     | 4,067,964           | 0                     | 2,425,920                      |
| Public Health  | 133,732             | 0                                     | 0                   | 0                     | 12,475                         |
| Community Development  | 606,891             | 0                                     | 0                   | 0                     | 155,532                        |
| Transportation   | 0                   | 0                                     | 0                   | 260,351               | 1,073,932                      |
| Basic Utility  | 0                   | 0                                     | 0                   | 0                     | 62,520                         |
| Leisure Time   | 0                   | 0                                     | 0                   | 0                     | 849,041                        |
| Capital Outlay   | 50,461              | 0                                     | 129,927             | 2,461,203             | 2,058,375                      |
| Debt Service:  |                     |                                       |                     |                       |                                |
| Principal Retirement   | 0                   | 227,473                               | 0                   | 8,232                 | 96,200                         |
| Interest and Fiscal Charges                                      | 0                   | 100,776                               | 0                   | 0                     | 28,790                         |
| <i>Total Expenditures</i>  | <u>6,043,537</u>    | <u>328,249</u>                        | <u>4,197,891</u>    | <u>2,729,786</u>      | <u>7,621,044</u>               |
| <i>Excess of Revenues Over (Under) Expenditures</i>              | 1,818,156           | (23,973)                              | 413,115             | (45,495)              | 885,176                        |
| <b>Other Financing Sources (Uses)</b>                            |                     |                                       |                     |                       |                                |
| Transfers In   | 0                   | 0                                     | 0                   | 0                     | 35,000                         |
| Transfers Out  | (35,000)            | 0                                     | 0                   | 0                     | 0                              |
| <i>Total Other Financing Sources (Uses)</i>                      | <u>(35,000)</u>     | <u>0</u>                              | <u>0</u>            | <u>0</u>              | <u>35,000</u>                  |
| <i>Net Change in Fund Balance</i>                                | 1,783,156           | (23,973)                              | 413,115             | (45,495)              | 920,176                        |
| <i>Fund Balance Beginning of Year<br/>(Restated, See Note 3)</i> | <u>5,528,406</u>    | <u>711,094</u>                        | <u>1,956,912</u>    | <u>1,681,287</u>      | <u>15,125,896</u>              |
| <i>Fund Balance End of Year</i>                                  | <u>\$ 7,311,562</u> | <u>\$ 687,121</u>                     | <u>\$ 2,370,027</u> | <u>\$ 1,635,792</u>   | <u>\$ 16,046,072</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, 2007*

|                                |  |                    |                  |
|--------------------------------|--|--------------------|------------------|
| Total<br>Governmental<br>Funds | Net Change in Fund Balances - Total Governmental Funds   | \$                 | 3,046,979        |
|                                | <i>Amounts reported for governmental activities in the statement of activities are different because:</i>  |                    |                  |
| \$ 15,044,684                  | Governmental funds report capital outlays as expenditures.   |                    |                  |
| 3,939,680                      | However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.                           |                    |                  |
| 2,301,975                      |  |                    |                  |
| 304,276                        |  |                    |                  |
| 808,657                        |  |                    |                  |
| 1,499,030                      | Capital Asset Additions Net of Deletions   | \$ 4,154,929       |                  |
| 20,117                         | Current Year Depreciation  | <u>(1,435,711)</u> | 2,719,218        |
| 20,660                         |  |                    |                  |
| 28,407                         | Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                    |                  |
| 23,967,486                     |  |                    |                  |
|                                | Delinquent Property Taxes  | (218)              |                  |
|                                | Municipal Income Taxes   | 65,487             |                  |
|                                | Miscellaneous  | (102,000)          |                  |
| 5,988,389                      | Intergovernmental  | 132,869            |                  |
| 6,616,207                      | Special Assessments  | <u>(273,239)</u>   | (177,101)        |
| 146,207                        |  |                    |                  |
| 762,423                        | The issuance of long term debt provides current financial resources to the governmental funds while the repayment of principal of long term debt consumes the current financial resources, but reduces long term liabilities in the statement of net assets. |                    |                  |
| 1,334,283                      |  |                    |                  |
| 62,520                         |  |                    |                  |
| 849,041                        |  |                    |                  |
| 4,699,966                      | Bond Principal   | 323,673            |                  |
|                                | Loan Principal   | <u>8,232</u>       | 331,905          |
| 331,905                        |  |                    |                  |
| 129,566                        | Some expenses reported in the statement of activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.   |                    |                  |
| 20,920,507                     | Compensated Absences   |                    | <u>(97,772)</u>  |
| 3,046,979                      |  |                    |                  |
|                                | Change in Net Assets of Governmental Activities  | \$                 | <u>5,823,229</u> |
| 35,000                         |  |                    |                  |
| (35,000)                       |  |                    |                  |
| 0                              |  |                    |                  |
| 3,046,979                      |  |                    |                  |
| 25,003,595                     |  |                    |                  |
| \$ 28,050,574                  |  |                    |                  |

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  
 General Fund  
 For the Year Ended December 31, 2007*

|   | Budgeted Amounts    |                     | Actual              | Variance<br>with Final Budget<br>Over/Under |
|---|---------------------|---------------------|---------------------|---|
|   | Original            | Final               |                     |   |
| <b>Revenues</b>                                     |                     |                     |                     |   |
| Local Taxes   | \$ 2,731,424        | \$ 3,065,678        | \$ 3,197,895        | \$ 132,217                                  |
| Intergovernmental Revenue                           | 1,051,419           | 1,291,244           | 1,473,178           | 181,934                                     |
| Fees Licenses and Permits                           | 943,396             | 1,158,581           | 1,264,589           | 106,008                                     |
| Charges for Services                                | 329,460             | 336,180             | 325,243             | (10,937)                                    |
| Interest Income                                     | 1,276,864           | 1,568,111           | 1,789,056           | 220,945                                     |
| Rentals   | 14,358              | 17,633              | 20,117              | 2,484                                       |
| Gifts and Donations                                 | 2,712               | 3,331               | 3,800               | 469   |
| Miscellaneous                                       | 25,100              | 25,100              | 17,795              | (7,305)                                     |
| <i>Total Revenues</i>                               | <u>6,374,733</u>    | <u>7,465,858</u>    | <u>8,091,673</u>    | <u>625,815</u>                              |
| <b>Expenditures</b>                                 |                     |                     |                     |   |
| Current:  |                     |                     |                     |   |
| General Government                                  | 6,071,975           | 7,301,540           | 5,288,266           | 2,013,274                                   |
| Security of Persons and Property                    | 119,564             | 171,591             | 121,912             | 49,679                                      |
| Public Health                                       | 209,697             | 259,052             | 144,535             | 114,517                                     |
| Community Development                               | 719,507             | 1,010,568           | 631,885             | 378,683                                     |
| Basic Utility                                       | 1,195               | 2,367               | 0                   | 2,367                                       |
| Capital Outlay                                      | 0                   | 0                   | 50,461              | (50,461)                                    |
| <i>Total Expenditures</i>                           | <u>7,121,938</u>    | <u>8,745,118</u>    | <u>6,237,059</u>    | <u>2,508,059</u>                            |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (747,205)           | (1,279,260)         | 1,854,614           | 3,133,874                                   |
| <b>Other Financing Sources (Uses)</b>               |                     |                     |                     |   |
| Other Financing Sources                             | 137,774             | 169,200             | 193,040             | 23,840                                      |
| Transfers Out                                       | 0                   | 0                   | (35,000)            | (35,000)                                    |
| <i>Total Other Financing Sources (Uses)</i>         | <u>137,774</u>      | <u>169,200</u>      | <u>158,040</u>      | <u>(11,160)</u>                             |
| <i>Net Change in Fund Balance</i>                   | (609,431)           | (1,110,060)         | 2,012,654           | 3,122,714                                   |
| <i>Fund Balance Beginning of Year</i>               | 4,398,515           | 4,398,515           | 4,398,515           | 0   |
| Prior Year Encumbrances Appropriated                | 279,616             | 279,616             | 279,616             | 0   |
| <i>Fund Balance End of Year</i>                     | <u>\$ 4,068,700</u> | <u>\$ 3,568,071</u> | <u>\$ 6,690,785</u> | <u>\$ 3,122,714</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, 2007*

|                                       | Budgeted Amounts    |                     | Actual              | Variance<br>with Final Budget<br>Over/Under |
|---------------------------------------|---------------------|---------------------|---------------------|---|
|                                       | Original            | Final               |                     |   |
| <b>Revenues</b>                       |                     |                     |                     |   |
| Local Taxes                           | \$ 4,576,441        | \$ 4,608,667        | \$ 4,435,967        | \$ (172,700)                                |
| Intergovernmental Revenue             | 55,328              | 55,718              | 53,630              | (2,088)                                     |
| Charges for Services                  | 116,446             | 117,129             | 112,740             | (4,389)                                     |
| Gifts and Donations                   | 6,700               | 6,805               | 6,550               | (255)                                       |
| Miscellaneous                         | 2,400               | 2,496               | 2,402               | (94)  |
| <i>Total Revenues</i>                 | <u>4,757,315</u>    | <u>4,790,815</u>    | <u>4,611,289</u>    | <u>(179,526)</u>                            |
| <b>Expenditures</b>                   |                     |                     |                     |   |
| Current:                              |                     |                     |                     |   |
| Security of Persons and Property      | 4,563,318           | 5,074,958           | 4,129,638           | 945,320                                     |
| Capital Outlay                        | 140,000             | 144,973             | 136,127             | 8,846                                       |
| <i>Total Expenditures</i>             | <u>4,703,318</u>    | <u>5,219,931</u>    | <u>4,265,765</u>    | <u>954,166</u>                              |
| <i>Net Change in Fund Balance</i>     | 53,997              | (429,116)           | 345,524             | 774,640                                     |
| <i>Fund Balance Beginning of Year</i> | 1,857,375           | 1,857,375           | 1,857,375           | 0   |
| Prior Year Encumbrances Appropriated  | 26,001              | 26,001              | 26,001              | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$ 1,937,373</u> | <u>\$ 1,454,260</u> | <u>\$ 2,228,900</u> | <u>\$ 774,640</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, 2007*

|                                       | Budgeted Amounts  |                   | Actual            | Variance<br>with Final Budget<br>Over/Under |
|---------------------------------------|-------------------|-------------------|-------------------|---|
|                                       | Original          | Final             |                   |   |
| <b>Revenues</b>                       |                   |                   |                   |   |
| Local Taxes                           | \$ 2,327,267      | \$ 2,431,227      | \$ 2,447,385      | \$ 16,158                                   |
| Intergovernmental Revenue             | 224,741           | 234,137           | 234,137           | 0   |
| Miscellaneous                         | 0                 | 644               | 2,204             | 1,560                                       |
| <i>Total Revenues</i>                 | <u>2,552,008</u>  | <u>2,666,008</u>  | <u>2,683,726</u>  | <u>17,718</u>                               |
| <b>Expenditures</b>                   |                   |                   |                   |   |
| Current:                              |                   |                   |                   |   |
| Transportation                        | 30,000            | 68,395            | 440,394           | (371,999)                                   |
| Capital Outlay                        | 3,525,071         | 3,501,176         | 3,131,485         | 369,691                                     |
| Principal Retirement                  | 8,232             | 8,232             | 8,232             | 0   |
| <i>Total Expenditures</i>             | <u>3,563,303</u>  | <u>3,577,803</u>  | <u>3,580,111</u>  | <u>(2,308)</u>                              |
| <i>Net Change in Fund Balance</i>     | (1,011,295)       | (911,795)         | (896,385)         | 15,410                                      |
| <i>Fund Balance Beginning of Year</i> | 407,114           | 407,114           | 407,114           | 0   |
| Prior Year Encumbrances Appropriated  | 1,014,481         | 1,014,481         | 1,014,481         | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$ 410,300</u> | <u>\$ 509,800</u> | <u>\$ 525,210</u> | <u>\$ 15,410</u>                            |

See accompanying notes to the basic financial statements.

**City of Medina, Medina County**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2007*

|  | <b>Business-Type Activities - Enterprise Funds</b> |                     |                              |                     |                      |
|--|--|---------------------|------------------------------|---------------------|----------------------|
|  | <b>Water</b>                                       | <b>Sanitation</b>   | <b>Recreation<br/>Center</b> | <b>Nonmajor</b>     | <b>Total</b>         |
| <b>Assets</b>  |  |                     |                              |                     |                      |
| <b>Current Assets</b>  |  |                     |                              |                     |                      |
| Equity in Pooled Cash and Investments                              | \$ 4,999,239                                       | \$ 756,766          | \$ 840,260                   | \$ 245,064          | \$ 6,841,329         |
| Receivables  |  |                     |                              |                     |                      |
| Accounts (Net of Allowance)  | 693,493  | 608,529             | 0                            | 0                   | 1,302,022            |
| Interest   | 77,138   | 9,600               | 0                            | 0                   | 86,738               |
| Internal Notes Receivable  | 506,915  | 491,861             | 0                            | 0                   | 998,776              |
| Taxes  | 0  | 0                   | 231,342                      | 0                   | 231,342              |
| Prepaid Items  | 12,760   | 10,676              | 6,970                        | 0                   | 30,406               |
| <i>Total Current Assets</i>  | <u>6,289,545</u>                                   | <u>1,877,432</u>    | <u>1,078,572</u>             | <u>245,064</u>      | <u>9,490,613</u>     |
| <b>Non-Current Assets</b>  |  |                     |                              |                     |                      |
| 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                          | 15,544,458   | 125,691             | 6,970,396                    | 528,193             | 23,168,738           |
| <i>Total Non-Current Assets</i>                                    | <u>25,272,139</u>                                  | <u>125,691</u>      | <u>6,970,396</u>             | <u>2,364,895</u>    | <u>34,733,121</u>    |
| <i>Total Assets</i>  | <u>31,561,684</u>                                  | <u>2,003,123</u>    | <u>8,048,968</u>             | <u>2,609,959</u>    | <u>44,223,734</u>    |
| <b>Liabilities</b>   |  |                     |                              |                     |                      |
| <b>Current Liabilities</b>   |  |                     |                              |                     |                      |
| Accounts Payable   | 146,715  | 17,088              | 4,720                        | 0                   | 168,523              |
| Accrued Salaries, Wages and Benefits                               | 86,666   | 76,267              | 103,306                      | 0                   | 266,239              |
| Compensated Absences - Current                                     | 24,383   | 21,296              | 7,761                        | 0                   | 53,440               |
| General Obligation Bonds Payable - Current                         | 640,000  | 0                   | 300,000                      | 0                   | 940,000              |
| Special Assessments Debt with<br>Governmental Commitment - Current | 2,327  | 0                   | 0                            | 0                   | 2,327                |
| Loans Payable - Current  | 62,160   | 0                   | 0                            | 0                   | 62,160               |
| <i>Total Current Liabilities</i>                                   | <u>962,251</u>                                     | <u>114,651</u>      | <u>415,787</u>               | <u>0</u>            | <u>1,492,689</u>     |
| <b>Non-Current Liabilities</b>                                     |  |                     |                              |                     |                      |
| Compensated Absences   | 19,251   | 27,789              | 12,848                       | 0                   | 59,888               |
| General Obligation Bonds Payable                                   | 11,250,000   | 0                   | 5,745,000                    | 0                   | 16,995,000           |
| Special Assessments Debt with<br>Governmental Commitment           | 13,961   | 0                   | 0                            | 0                   | 13,961               |
| Loans Payable  | 1,249,682  | 0                   | 0                            | 0                   | 1,249,682            |
| Advances from Other Funds  | 1,163,937  | 0                   | 0                            | 0                   | 1,163,937            |
| <i>Total Non-Current Liabilities</i>                               | <u>13,696,831</u>                                  | <u>27,789</u>       | <u>5,757,848</u>             | <u>0</u>            | <u>19,482,468</u>    |
| <i>Total Liabilities</i>   | <u>14,659,082</u>                                  | <u>142,440</u>      | <u>6,173,635</u>             | <u>0</u>            | <u>20,975,157</u>    |
| <b>Net Assets</b>  |  |                     |                              |                     |                      |
| Invested in Capital Assets, Net of Related Debt<br>Unrestricted    | 3,555,194  | 125,691             | 925,395                      | 2,364,895           | 6,971,175            |
|  | 13,347,408   | 1,734,992           | 949,938                      | 245,064             | 16,277,402           |
| <i>Total Net Assets</i>  | <u>\$ 16,902,602</u>                               | <u>\$ 1,860,683</u> | <u>\$ 1,875,333</u>          | <u>\$ 2,609,959</u> | <u>\$ 23,248,577</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, 2007*

| <b>Business-Type Activities - Enterprise Funds</b>             |                      |                     |                              |                     |                      |
|--|----------------------|---------------------|------------------------------|---------------------|----------------------|
|  | <b>Water</b>         | <b>Sanitation</b>   | <b>Recreation<br/>Center</b> | <b>Nonmajor</b>     | <b>Total</b>         |
| <b>Operating Revenues</b>                                      |                      |                     |                              |                     |                      |
| Charges for Services   | \$ 4,112,321         | \$ 3,217,932        | \$ 1,898,710                 | \$ 0                | \$ 9,228,963         |
| Other  | 1,432                | 5,243               | 592                          | 1,402               | 8,669                |
| <i>Total Operating Revenues</i>                                | <u>4,113,753</u>     | <u>3,223,175</u>    | <u>1,899,302</u>             | <u>1,402</u>        | <u>9,237,632</u>     |
| <b>Operating Expenses</b>                                      |                      |                     |                              |                     |                      |
| Personal Services  | 1,077,237            | 1,053,920           | 1,320,475                    | 0                   | 3,451,632            |
| Contractual Service  | 123,433              | 1,378,285           | 80,486                       | 15,430              | 1,597,634            |
| Materials and Supplies   | 1,868,098            | 420,400             | 528,915                      | 618                 | 2,818,031            |
| Depreciation   | 1,258,131            | 117,516             | 162,437                      | 85,041              | 1,623,125            |
| <i>Total Operating Expenses</i>                                | <u>4,326,899</u>     | <u>2,970,121</u>    | <u>2,092,313</u>             | <u>101,089</u>      | <u>9,490,422</u>     |
| <i>Operating Income (Loss)</i>                                 | (213,146)            | 253,054             | (193,011)                    | (99,687)            | (252,790)            |
| <b>Non-Operating Revenues (Expenses)</b>                       |                      |                     |                              |                     |                      |
| Municipal Income Tax   | 0                    | 0                   | 783,667                      | 0                   | 783,667              |
| Interest Income  | 214,151              | 41,832              | 0                            | 0                   | 255,983              |
| Interest Expense   | (642,390)            | 0                   | (282,980)                    | 0                   | (925,370)            |
| <i>Total Non-Operating Revenues (Expenses)</i>                 | <u>(428,239)</u>     | <u>41,832</u>       | <u>500,687</u>               | <u>0</u>            | <u>114,280</u>       |
| <i>Change in Net Assets</i>                                    | (641,385)            | 294,886             | 307,676                      | (99,687)            | (138,510)            |
| <i>Net Assets Beginning of Year<br/>(Restated, See Note 3)</i> | <u>17,543,987</u>    | <u>1,565,797</u>    | <u>1,567,657</u>             | <u>2,709,646</u>    | <u>23,387,087</u>    |
| <i>Net Assets End of the Year</i>                              | <u>\$ 16,902,602</u> | <u>\$ 1,860,683</u> | <u>\$ 1,875,333</u>          | <u>\$ 2,609,959</u> | <u>\$ 23,248,577</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, 2007

|  | Business-Type Activities - Enterprise Funds |                   |                      |                    |                     |
|--|---|-------------------|----------------------|--------------------|---------------------|
|  | Water                                       | Sanitation        | Recreation<br>Center | Nonmajor           | Total               |
| <b>Cash Flows From Operating Activities</b>  |   |                   |                      |                    |                     |
| Cash Received from Customers   | \$ 4,532,688                                | \$ 3,168,053      | \$ 1,899,302         | \$ 8,078           | \$ 9,608,121        |
| Cash Paid for Goods and Services   | (1,939,610)                                 | (1,927,410)       | (668,158)            | (18,893)           | (4,554,071)         |
| Cash Paid to Employees   | (1,082,279)                                 | (1,047,269)       | (1,336,596)          | 0                  | (3,466,144)         |
| <i>Net Cash Provided By (Used For) Operating Activities</i>  | <u>1,510,799</u>                            | <u>193,374</u>    | <u>(105,452)</u>     | <u>(10,815)</u>    | <u>1,587,906</u>    |
| <b>Cash Flows From Non-Capital Financing Activities</b>  |   |                   |                      |                    |                     |
| Income Tax   | 0   | 0                 | 783,163              | 0                  | 783,163             |
| <i>Net Cash Provided By (Used For) Non-Capital Activities</i>  | <u>0</u>                                    | <u>0</u>          | <u>783,163</u>       | <u>0</u>           | <u>783,163</u>      |
| <b>Cash Flows From Investing Activities</b>  |   |                   |                      |                    |                     |
| Interest on Investments  | 214,151                                     | 41,832            | 0                    | 0                  | 255,983             |
| <i>Net Cash Provided By (Used For) Investing Activities</i>  | <u>214,151</u>                              | <u>41,832</u>     | <u>0</u>             | <u>0</u>           | <u>255,983</u>      |
| <b>Cash Flows From Capital and Related Activities</b>  |   |                   |                      |                    |                     |
| Payments for Capital Acquisitions  | (14,397)                                    | 0                 | 0                    | 0                  | (14,397)            |
| Principal Payments on Debt   | (681,695)                                   | 0                 | (285,000)            | 0                  | (966,695)           |
| Interest Paid on Bonds   | (642,390)                                   | 0                 | (282,980)            | 0                  | (925,370)           |
| <i>Net Cash Provided By (Used For) Capital and Related Financing Activities</i>                          | <u>(1,338,482)</u>                          | <u>0</u>          | <u>(567,980)</u>     | <u>0</u>           | <u>(1,906,462)</u>  |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>  | 386,468                                     | 235,206           | 109,731              | (10,815)           | 720,590             |
| <i>Cash and Cash Equivalents Beginning of Year</i>   | <u>4,612,771</u>                            | <u>521,560</u>    | <u>730,529</u>       | <u>255,879</u>     | <u>6,120,739</u>    |
| <i>Cash and Cash Equivalents End of Year</i>   | <u>\$ 4,999,239</u>                         | <u>\$ 756,766</u> | <u>\$ 840,260</u>    | <u>\$ 245,064</u>  | <u>\$ 6,841,329</u> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b> |   |                   |                      |                    |                     |
| Operating Income (Loss)  | \$ (213,146)                                | \$ 253,054        | \$ (193,011)         | \$ (99,687)        | \$ (252,790)        |
| Adjustments:   |   |                   |                      |                    |                     |
| Depreciation Expense   | 1,258,131                                   | 117,516           | 162,437              | 85,041             | 1,623,125           |
| (Increase) Decrease in Assets:   |   |                   |                      |                    |                     |
| Accounts Receivable  | (36,774)                                    | (45,522)          | 0                    | 6,676              | (75,620)            |
| Due from Other Funds   | 532,847                                     | 0                 | 0                    | 0                  | 532,847             |
| Other Receivable   | (77,138)                                    | (9,600)           | 0                    | 0                  | (86,738)            |
| Prepays  | 0   | 461               | 0                    | 0                  | 461                 |
| Increase (Decrease) in Liabilities:  |   |                   |                      |                    |                     |
| Accounts Payable   | 51,921                                      | (94,186)          | (58,757)             | 0                  | (101,022)           |
| Due to Other Funds   | 0   | (35,000)          | 0                    | (2,845)            | (37,845)            |
| Accrued Salaries, Wages and Benefits   | (5,042)                                     | 6,651             | (16,121)             | 0                  | (14,512)            |
| <i>Total Adjustments</i>   | <u>1,723,945</u>                            | <u>(59,680)</u>   | <u>87,559</u>        | <u>88,872</u>      | <u>1,840,696</u>    |
| <i>Net Cash Provided By (Used For) Operating Activities</i>  | <u>\$ 1,510,799</u>                         | <u>\$ 193,374</u> | <u>\$ (105,452)</u>  | <u>\$ (10,815)</u> | <u>\$ 1,587,906</u> |

See accompanying notes to the basic financial statements.

**City of Medina, Medina County**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*December 31, 2007*

|  | <u>Private<br/>Purpose<br/>Trust<br/>Tricentennial</u> | <u>Agency</u>     |
|--|--|-------------------|
| <b>Assets</b>                              |  |                   |
| Equity in Pooled Cash and Cash Equivalents | \$ 6,408   | \$ 344,839        |
| Cash in Segregated Accounts                | <u>0</u>   | <u>451,838</u>    |
| <i>Total Assets</i>                        | <u>6,408</u>   | <u>\$ 796,677</u> |
| <b>Liabilities</b>                         |  |                   |
| Undistributed Monies                       | <u>0</u>   | <u>\$ 796,677</u> |
| <b>Net Assets</b>                          |  |                   |
| Held in Trust for Tricentennial            | <u>\$ 6,408</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, 2007*

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|                              |    | Private<br>Purpose<br>Trust |
|------------------------------|----|-----------------------------|
|                              |    | Tricentennial               |
| <b>Additions</b>             |    |                             |
| Miscellaneous                | \$ | 48                          |
| <b>Deductions</b>            |    | 0                           |
| Change in Net Assets         |    | 48                          |
| Net Assets Beginning of Year |    | 6,360                       |
| Net Assets End of Year       | \$ | 6,408                       |

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, 2007*

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**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.

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, 2007*

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***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.

***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:

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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*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 Debt Service Fund* – The special assessment debt service 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/Street Fund* – The stormwater/street special revenue 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.

The other proprietary funds of the City account for the operations of the municipal airport and storm sewer maintenance.

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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***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, 2007*

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***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, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue on modified accrual only. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures***

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

***Appropriations***

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year, for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the department and personal services within each 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 personal services within a fund may be modified during the year by an ordinance of council. During the year, several supplemental appropriation measures were passed,

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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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 2007, investments included a 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, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$1,434,990, which includes \$1,092,660, assigned from other city funds.

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

***Capital Assets***

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

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

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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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<br>Activities<br>Estimated Lives | Business-Type<br>Activities<br>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 "advances to/from other funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***Compensated Absences***

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

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. There were no matured compensated absences payable reported in 2007.

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***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. The City also reports a reserve of long term advances.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City reported no significant net asset balances restricted by enabling legislation. 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.

***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. All revenue and expenses not meeting these definitions are classified as nonoperating.

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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***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 2007.

***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 2007.

***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, 2007*

**Note 3 – Restatement of Prior Year Fund Balances/Net Assets**

Beginning in 2007, the City was able to get confirmation of municipal income tax receivable from Central Collection Agency, which resulted in beginning fund balances being restated. There were also loan proceeds from OPWC received in 2006 that were not recognized as a long term obligation. The following are the adjustments to restate beginning fund balance and net assets:

|   | General             | Special Assessment<br>Debt Service | Police<br>Special   | Stormwater/<br>Street | Other<br>Governmental | Total<br>Governmental |
|---|---------------------|------------------------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Fund Balance, December 31, 2006           | \$ 5,443,222        | \$ 711,094                         | \$ 1,751,138        | \$ 1,566,953          | \$ 14,988,668         | \$ 24,461,075         |
| Taxes Receivable                          | 85,184              | 0                                  | 205,774             | 114,334               | 137,228               | 542,520               |
| Restated Fund Balance,<br>January 1, 2007 | <u>\$ 5,528,406</u> | <u>\$ 711,094</u>                  | <u>\$ 1,956,912</u> | <u>\$ 1,681,287</u>   | <u>\$ 15,125,896</u>  | <u>\$ 25,003,595</u>  |

|   | Governmental<br>Activities | Business-Type<br>Activities |
|---|----------------------------|-----------------------------|
| Net Assets, December 31, 2006           | \$ 40,570,630              | \$ 23,203,047               |
| Taxes Receivable                        | 2,727,563                  | 184,040                     |
| Long Term Obligations                   | (164,644)                  | 0                           |
| Restated Net Assets,<br>January 1, 2007 | <u>\$ 43,133,549</u>       | <u>\$ 23,387,087</u>        |

**Note 4 – Fund Deficits**

Fund balances at December 31, 2007 included the following individual fund deficits:

|                              | Deficit<br>Fund<br>Balance |
|------------------------------|----------------------------|
| Nonmajor Governmental Funds: |                            |
| Grants Fund                  | \$ 156,349                 |
| FEMA Grant                   | 1,270                      |
| CHIP Grant                   | 100,443                    |
| Parking Fund                 | 2,491                      |
| Federal Airport Grant        | 16,132                     |
| Issue 2                      | 287,445                    |
| Special Assessment Capital   | 15,085                     |

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

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**Note 5 – Deposits and Investments**

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

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

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

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

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

Interim monies may be invested in the following securities:

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

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Deposits:** The carrying value of the City's deposits totaled \$20,861,329 and the bank balances of the deposits totaled \$21,262,072. Of the bank balance \$752,970 was covered by depository insurance; and \$20,509,102 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.

**Investments**

Investments are reported at fair value. As of December 31, 2007, the City had the following investments:

| Standard<br>& Poor's | Investment           | Fair<br>Value       | Investment<br>Maturity<br>Less than<br>One Year | Total<br>Investments |
|----------------------|----------------------|---------------------|---|----------------------|
| AAAm                 | STAROhio             | \$ 3,359,100        | \$ 3,359,100                                    | 24.4%                |
| N/A                  | Repurchase Agreement | 10,420,000          | 10,420,000                                      | 75.6%                |
|                      |                      | <u>\$13,779,100</u> | <u>\$ 13,779,100</u>                            | <u>100.0%</u>        |

N/A - Underlying securities are exempt

**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.



**City of Medina, Medina County**  
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**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 6 – Budgetary Basis of Accounting**

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

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

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

|   | <b>Net Change in Fund Balance</b> |                           |                               |
|---|-----------------------------------|---------------------------|-------------------------------|
|   | <u>General</u>                    | <u>Police<br/>Special</u> | <u>Stormwater/<br/>Street</u> |
| GAAP Basis (as reported)                | \$ 1,783,156                      | \$ 413,115                | \$ (45,495)                   |
| Adjustments:                            |                                   |                           |                               |
| Net adjustment for revenue accruals     | 287,215                           | 283                       | (565)                         |
| Other financing sources                 | 193,040                           | 0                         | 0                             |
| Net adjustment for expenditure accruals | (14,391)                          | (25,695)                  | 41,103                        |
| Encumbrances                            | <u>(236,366)</u>                  | <u>(42,179)</u>           | <u>(891,428)</u>              |
| Budget basis                            | <u><u>\$ 2,012,654</u></u>        | <u><u>\$ 345,524</u></u>  | <u><u>\$ (896,385)</u></u>    |

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**Note 7 – Transfers and Interfund Balances**

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

Interfund transfers for the year ended December 31, 2007, consisted of the following:

| Transfer Out | Transfer In        | Amount    |
|--------------|--------------------|-----------|
| General Fund | Other Governmental | \$ 35,000 |

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.

Interfund obligations for the year ended December 31, 2007, consisted of the following:

| Advances From Other Funds | Advances To Other Funds       | Amount       |
|---------------------------|-------------------------------|--------------|
| General Fund              | Other Governmental            | \$ 1,270     |
| Other Governmental        | Water Capital Enterprise Fund | 1,163,937    |
|                           |                               | \$ 1,165,207 |

In 2006, the general purpose capital projects fund advanced to the water capital enterprise fund for a water project. As of December 31, 2007, all interfund payables outstanding are anticipated to be repaid at some point in the future.

**Note 8 – Receivables**

Receivables at December 31, 2007, consisted of taxes, interest, special assessments, accounts (billings for user charged services) and intergovernmental receivables.

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

**City of Medina, Medina County**  
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***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 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2006 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. For 2007, tangible personal property is assessed at 12.5% for property including inventory. This percentage will be reduced to 6.25% for 2008 and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property will be eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In 2007-2010, the City will be fully reimbursed for the lost revenue. In 2011-2017, the reimbursements will be phased out.

The full tax rate for all City operations for the year ended December 31, 2007 was \$5.45 per \$1,000 of assessed value. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.055 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$4.95 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 2007 property tax receipts were based are as follows:

|   |                       |                |
|---|-----------------------|----------------|
| Real Property - 2007 Valuation              |                       |                |
| Residential/agricultural                    | \$ 439,051,130        | 72.66%         |
| Commercial/industrial                       | <u>165,222,110</u>    | <u>27.34%</u>  |
|   | <u>\$ 604,273,240</u> | <u>100.00%</u> |
| Tangible Personal Property - 2006 Valuation |                       |                |
| General and public utilities                | <u>\$ 34,269,350</u>  |                |

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.

**City of Medina, Medina County**  
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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, 2007. 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 2007 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%. 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 2007 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 2007 using the 1.25% rate.

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

Income tax revenues are allocated based on City ordinance with the exception of the Street Maintenance and Repair Special fund portion which is decided by vote. In 2007, all costs of collecting the taxes and administering and enforcing the provisions was paid from 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.

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
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***Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

|                                 | <u>Amount</u>              |
|---------------------------------|----------------------------|
| <b>Governmental Activities:</b> |                            |
| Homestead/Rollback              | \$ 131,537                 |
| Estate Tax                      | 258,445                    |
| Auto Registration               | 113,076                    |
| Gasoline Tax                    | 415,347                    |
| Permissive Tax                  | 22,362                     |
| Local Government                | 472,342                    |
| Court Fees                      | 24,442                     |
| Services                        | <u>119,615</u>             |
| Total                           | <u><u>\$ 1,557,166</u></u> |

***Taxes Receivables***

A summary of taxes receivables follows:

|                                 | <u>Amount</u>              |
|---------------------------------|----------------------------|
| <b>Governmental Activities:</b> |                            |
| Real Estate Tax                 | \$ 3,164,145               |
| Municipal Income Tax            | <u>3,524,209</u>           |
| Total                           | <u><u>\$ 6,688,354</u></u> |
| <b>Business-Type Activities</b> |                            |
| Municipal Income Tax            | <u><u>\$ 231,342</u></u>   |

**City of Medina, Medina County**  
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**Note 9 – Capital Assets**

Capital asset activity for the year ended December 31, 2007, was as follows:

|   | Balance<br>12/31/06  | Additions           | Reductions          | Balance<br>12/31/07  |
|---|----------------------|---------------------|---------------------|----------------------|
| <b>Governmental Activities</b>                |                      |                     |                     |                      |
| <i>Capital Assets, not being depreciated:</i> |                      |                     |                     |                      |
| Land  | \$ 1,077,742         | \$ 64,251           | \$ 0                | \$ 1,141,993         |
| Construction in Progress                      | 1,392,758            | 1,579,744           | (620,034)           | 2,352,468            |
| Total Capital Assets, not being depreciated   | <u>2,470,500</u>     | <u>1,643,995</u>    | <u>(620,034)</u>    | <u>3,494,461</u>     |
| <i>Capital Assets, being depreciated:</i>     |                      |                     |                     |                      |
| Buildings                                     | 4,669,602            | 479,105             | 0                   | 5,148,707            |
| Improvements                                  | 5,984,862            | 845,048             | 0                   | 6,829,910            |
| Furniture and Equipment                       | 5,207,671            | 347,781             | 0                   | 5,555,452            |
| Vehicles                                      | 4,932,322            | 326,178             | 0                   | 5,258,500            |
| Infrastructure                                |                      |                     |                     |                      |
| Roads   | 4,553,122            | 1,108,011           | 0                   | 5,661,133            |
| Storm Sewers                                  | 30,051               | 24,845              | 0                   | 54,896               |
| Culverts                                      | 17,932               | 0                   | 0                   | 17,932               |
| Traffic Signals                               | 16,152               | 0                   | 0                   | 16,152               |
| Total Capital Assets, being depreciated       | <u>25,411,714</u>    | <u>3,130,968</u>    | <u>0</u>            | <u>28,542,682</u>    |
| Less Accumulated Depreciation:                |                      |                     |                     |                      |
| Buildings                                     | (2,155,177)          | (125,576)           | 0                   | (2,280,753)          |
| Improvements                                  | (1,926,553)          | (415,444)           | 0                   | (2,341,997)          |
| Furniture and Equipment                       | (3,663,957)          | (463,631)           | 0                   | (4,127,588)          |
| Vehicles                                      | (4,153,875)          | (237,888)           | 0                   | (4,391,763)          |
| Infrastructure                                |                      |                     |                     |                      |
| Roads   | (319,509)            | (188,704)           | 0                   | (508,213)            |
| Storm Sewers                                  | (4,566)              | (2,196)             | 0                   | (6,762)              |
| Culverts                                      | (3,586)              | (1,195)             | 0                   | (4,781)              |
| Traffic Signals                               | (4,307)              | (1,077)             | 0                   | (5,384)              |
| Total Accumulated Depreciation                | <u>(12,231,530)</u>  | <u>(1,435,711)</u>  | <u>0</u>            | <u>(13,667,241)</u>  |
| Total Capital Assets being depreciated, net   | <u>13,180,184</u>    | <u>1,695,257</u>    | <u>0</u>            | <u>14,875,441</u>    |
| Governmental Activities Capital Assets, Net   | <u>\$ 15,650,684</u> | <u>\$ 3,339,252</u> | <u>\$ (620,034)</u> | <u>\$ 18,369,902</u> |

**City of Medina, Medina County**  
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|   | Balance<br>12/31/06  | Additions             | Reductions  | Balance<br>12/31/07  |
|---|----------------------|-----------------------|-------------|----------------------|
| <b>Business-Type Activities</b>               |                      |                       |             |                      |
| <i>Capital Assets, not being depreciated:</i> |                      |                       |             |                      |
| Land  | \$ 3,065,568         | \$ 0                  | \$ 0        | \$ 3,065,568         |
| Total Capital Assets, not being depreciated   | <u>3,065,568</u>     | <u>0</u>              | <u>0</u>    | <u>3,065,568</u>     |
| <i>Capital Assets, being depreciated:</i>     |                      |                       |             |                      |
| Buildings                                     | 11,986,001           | 0                     | 0           | 11,986,001           |
| Improvements                                  | 13,510,759           | 0                     | 0           | 13,510,759           |
| Furniture and Equipment                       | 3,532,757            | 0                     | 0           | 3,532,757            |
| Vehicles                                      | 2,267,834            | 14,397                | 0           | 2,282,231            |
| Infrastructure:                               |                      |                       |             |                      |
| Water Lines                                   | 13,579,442           | 0                     | 0           | 13,579,442           |
| Storm Sewer                                   | 25,430               | 0                     | 0           | 25,430               |
| Total Capital Assets, being depreciated       | <u>44,902,223</u>    | <u>14,397</u>         | <u>0</u>    | <u>44,916,620</u>    |
| Less Accumulated Depreciation:                |                      |                       |             |                      |
| Buildings                                     | (1,909,707)          | (281,083)             | 0           | (2,190,790)          |
| Improvements                                  | (10,437,957)         | (667,995)             | 0           | (11,105,952)         |
| Furniture and Equipment                       | (3,237,728)          | (106,375)             | 0           | (3,344,103)          |
| Vehicles                                      | (2,124,019)          | (40,337)              | 0           | (2,164,356)          |
| Infrastructure:                               |                      |                       |             |                      |
| Water Lines                                   | (2,413,312)          | (526,318)             | 0           | (2,939,630)          |
| Storm Sewer                                   | (2,034)              | (1,017)               | 0           | (3,051)              |
| Total Accumulated Depreciation                | <u>(20,124,757)</u>  | <u>(1,623,125)</u>    | <u>0</u>    | <u>(21,747,882)</u>  |
| Total Capital Assets being depreciated, net   | <u>24,777,466</u>    | <u>(1,608,728)</u>    | <u>0</u>    | <u>23,168,738</u>    |
| Business-Type Activities Capital Assets, Net  | <u>\$ 27,843,034</u> | <u>\$ (1,608,728)</u> | <u>\$ 0</u> | <u>\$ 26,234,306</u> |

Depreciation expense was charged to programs as follows:

|                                  |                     |
|----------------------------------|---------------------|
| <i>Governmental Activities:</i>  |                     |
| General Government               | \$ 801,686          |
| Transportation                   | 305,289             |
| Security of Persons and Property | 220,605             |
| Leisure Time                     | 108,131             |
| Total                            | <u>\$ 1,435,711</u> |
| <i>Business-Type Activities:</i> |                     |
| Water                            | \$ 1,258,131        |
| Sanitation                       | 117,516             |
| Recreation Center                | 162,437             |
| Airport                          | 57,204              |
| Storm Water                      | 27,837              |
| Total                            | <u>\$ 1,623,125</u> |

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
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**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 9.5% of their annual covered salary to fund pension obligations and the City is required to contribute 9.75% for the year 2007. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS were \$1,062,118 for December 31, 2007 and \$973,735 and \$928,133 for years ended December 31, 2006 and 2005 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 2007 the City was required to contribute 19.5% for police and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the PFDPF for police and firefighters were \$462,834 and \$36,062 for the year ended December 31, 2007, \$444,080 and \$39,060 for the year ended December 31, 2006, and \$430,854 and \$37,963 for the year ended December 31, 2005, or 75% of the required contributions for 2007, 100% of the required contributions for 2006 and 2005.



**City of Medina, Medina County**  
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**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 2007, member and employer contribution rates were consistent for all three plans. For local government employer units, the rate was 13.85% of covered payroll; the portion of all employer contributions allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007. The portion that was used to fund health care for the year amounted to \$58,348.

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.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006 (the latest information available), include a rate of return on investments of 6.50%. An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and about the 4.0% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase between .50% and 6.0% annually for the next eight years and 4.0% annually after eight years. All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$30.7 billion and \$18.7 billion, respectively. As of December 31, 2006 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$12.0 billion. The Traditional Pension and Combined Plans has 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 valuation was 362,130.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to the health care plan.

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
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***Ohio Police and Firemen's Disability and Pension Fund***

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 6.75% of covered payroll was applied to the post-employment health care program during 2007 and 7.75% of covered payroll in 2006. In addition, since July 1, 1992, 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.

The City's actual contributions for 2007 that were used to fund post-employment benefits were \$160,141 for police and \$10,285 for fire. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 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.

**City of Medina, Medina County**  
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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.

Compensated absences will be paid from the fund from which the person is paid. This is generally from the general, street maintenance and repair, fire special, cable tv, water, sanitation and recreation center funds.

**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>  |                     |               |                 |                       |
| Fire Station                    | 1991                | 2011          | 3.00% to 10.00% | \$ 2,710,350          |
| <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                           |                     |               |                 | \$ 22,390,000         |

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

| Year Ending<br>December 31, | General Obligation Bonds |           |            |                          |              |               |
|-----------------------------|--------------------------|-----------|------------|--------------------------|--------------|---------------|
|                             | Governmental Activities  |           |            | Business-Type Activities |              |               |
|                             | Principal                | Interest  | Total      | Principal                | Interest     | Total         |
| 2008                        | \$ 0                     | \$ 21,750 | \$ 21,750  | \$ 940,000               | \$ 828,498   | \$ 1,768,498  |
| 2009                        | 0                        | 21,750    | 21,750     | 975,000                  | 792,922      | 1,767,922     |
| 2010                        | 725,000                  | 21,750    | 746,750    | 1,005,000                | 754,625      | 1,759,625     |
| 2011                        | 0                        | 0         | 0          | 1,040,000                | 713,767      | 1,753,767     |
| 2012                        | 0                        | 0         | 0          | 1,080,000                | 670,277      | 1,750,277     |
| 2013 - 2017                 | 0                        | 0         | 0          | 6,060,000                | 2,585,415    | 8,645,415     |
| 2018 - 2022                 | 0                        | 0         | 0          | 6,835,000                | 995,266      | 7,830,266     |
| Total                       | \$ 725,000               | \$ 65,250 | \$ 790,250 | \$ 17,935,000            | \$ 7,340,770 | \$ 25,275,770 |

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2007

***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. In the event the property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

Special Assessment bonds currently outstanding are as follows:

| Purpose                         | Original Issue Date | Maturity Date | Interest Rates  | Original Issue Amount |
|---------------------------------|---------------------|---------------|-----------------|-----------------------|
| <i>Governmental Activities</i>  |                     |               |                 |                       |
| Street Improvements             | 1995                | 2015          | 5.20%           | \$ 880,000            |
| Street Improvements             | 1988                | 2008          | 4.75% to 5.50%  | 275,946               |
| Water Line (66.76%)             | 1988                | 2013          | 5.30% to 9.00%  | 53,037                |
| Street Improvements             | 1991                | 2011          | 6.625% to 6.80% | 440,000               |
| Street Improvements             | 1992                | 2012          | 4.40% to 10.00% | 780,000               |
| Street Improvements             | 1994                | 2014          | 5.40% to 5.75%  | 1,090,000             |
| Street Improvements             | 1998                | 2013          | 4.50%           | 127,000               |
| Total                           |                     |               |                 | <u>\$ 3,645,983</u>   |
| <i>Business-Type Activities</i> |                     |               |                 |                       |
| Water Line (33.24%)             | 1988                | 2013          | 5.30% to 9.00%  | <u>\$ 26,407</u>      |

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

| Year Ending<br>December 31, | Special Assessment Bonds |                   |                     |                          |                 |                  |
|-----------------------------|--------------------------|-------------------|---------------------|--------------------------|-----------------|------------------|
|                             | Governmental Activities  |                   |                     | Business-Type Activities |                 |                  |
|                             | Principal                | Interest          | Total               | Principal                | Interest        | Total            |
| 2008                        | \$ 218,673               | \$ 84,715         | \$ 303,388          | \$ 2,327                 | \$ 868          | \$ 3,195         |
| 2009                        | 224,342                  | 71,894            | 296,236             | 2,659                    | 743             | 3,402            |
| 2010                        | 234,341                  | 58,925            | 293,266             | 2,659                    | 599             | 3,258            |
| 2011                        | 239,341                  | 45,376            | 284,717             | 2,659                    | 458             | 3,117            |
| 2012                        | 206,007                  | 31,406            | 237,413             | 5,984                    | 476             | 6,460            |
| 2013 - 2015                 | 356,008                  | 34,450            | 390,458             | 0                        | 0               | 0                |
| Total                       | <u>\$ 1,478,712</u>      | <u>\$ 326,766</u> | <u>\$ 1,805,478</u> | <u>\$ 16,288</u>         | <u>\$ 3,144</u> | <u>\$ 19,432</u> |

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

***Loans Payable***

*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:

| <u>Year Ending<br/>December 31,</u> | Loan Payable             |            |              |
|-------------------------------------|--------------------------|------------|--------------|
|                                     | Business-Type Activities |            |              |
|                                     | Principal                | Interest   | Total        |
| 2008                                | \$ 62,160                | \$ 60,286  | \$ 122,446   |
| 2009                                | 65,084                   | 57,362     | 122,446      |
| 2010                                | 68,147                   | 54,300     | 122,447      |
| 2011                                | 71,352                   | 51,094     | 122,446      |
| 2012                                | 74,708                   | 47,737     | 122,445      |
| 2013 - 2017                         | 429,701                  | 182,549    | 612,250      |
| 2018 - 2022                         | 540,690                  | 71,520     | 612,210      |
| Total                               | \$ 1,311,842             | \$ 524,848 | \$ 1,836,690 |

*Renovations*

The City received an interest free twenty year loan from the Ohio Public Works Commission in the amount of \$164,644 for renovations to the East Reagan/North Jefferson intersection. Semi-annual payments are made to OPWC with the final payment due July 1, 2026.

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

| <u>Year Ending<br/>December 31,</u> | Governmental<br>Activities |
|-------------------------------------|----------------------------|
|                                     | Principal                  |
| 2008                                | \$ 8,232                   |
| 2009                                | 8,232                      |
| 2010                                | 8,232                      |
| 2011                                | 8,232                      |
| 2012                                | 8,232                      |
| 2013 - 2017                         | 41,160                     |
| 2018 - 2022                         | 41,160                     |
| 2023 - 2026                         | 32,932                     |
| Total                               | \$ 156,412                 |

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

***Changes in Long Term Liabilities***

Long term liability activity for the year ended December 31, 2007 was as follows:

|   | Restated<br>Balance<br>01/01/07 | Additions         | Reductions        | Balance<br>12/31/07 | Due Within<br>One Year |
|---|---------------------------------|-------------------|-------------------|---------------------|------------------------|
| <b>Governmental Activities</b>              |                                 |                   |                   |                     |                        |
| <i>General Obligation Bonds</i>             |                                 |                   |                   |                     |                        |
| Parking Improvements                        | \$ 16,200                       | \$ 0              | \$ 16,200         | \$ 0                | \$ 0                   |
| Fire Station                                | 725,000                         | 0                 | 0                 | 725,000             | 0                      |
| Street Improvements                         | 80,000                          | 0                 | 80,000            | 0                   | 0                      |
| <i>Total General Obligation Bonds</i>       | <u>821,200</u>                  | <u>0</u>          | <u>96,200</u>     | <u>725,000</u>      | <u>0</u>               |
| <i>Special Assessment Bonds</i>             |                                 |                   |                   |                     |                        |
| Water Line                                  | 37,385                          | 0                 | 4,673             | 32,712              | 4,673                  |
| Parking Improvements                        | 13,800                          | 0                 | 13,800            | 0                   | 0                      |
| Street Improvements                         | 490,000                         | 0                 | 50,000            | 440,000             | 50,000                 |
| Street Improvements                         | 30,000                          | 0                 | 15,000            | 15,000              | 15,000                 |
| Street Improvements                         | 170,000                         | 0                 | 30,000            | 140,000             | 30,000                 |
| Street Improvements                         | 330,000                         | 0                 | 45,000            | 285,000             | 50,000                 |
| Street Improvements                         | 570,000                         | 0                 | 60,000            | 510,000             | 60,000                 |
| Street Improvements                         | 65,000                          | 0                 | 9,000             | 56,000              | 9,000                  |
| <i>Total Special Assessment Bonds</i>       | <u>1,706,185</u>                | <u>0</u>          | <u>227,473</u>    | <u>1,478,712</u>    | <u>218,673</u>         |
| Loan Payable                                | 164,644                         | 0                 | 8,232             | 156,412             | 8,232                  |
| Compensated Absences                        | 372,088                         | 303,795           | 206,023           | 469,860             | 242,970                |
| Total Governmental<br>Long Term Liabilities | <u>\$ 3,064,117</u>             | <u>\$ 303,795</u> | <u>\$ 537,928</u> | <u>\$ 2,829,984</u> | <u>\$ 469,875</u>      |

Compensated absences will be paid from the fund from which the person is paid. This is generally from the general fund, police special fund, fire special fund or recreation fund.

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

|                                       | Balance<br>01/01/07  | Additions        | Reductions          | Balance<br>12/31/07  | Due Within<br>One Year |
|---------------------------------------|----------------------|------------------|---------------------|----------------------|------------------------|
| <b>Business-Type Activities</b>       |                      |                  |                     |                      |                        |
| <i>General Obligation Bonds</i>       |                      |                  |                     |                      |                        |
| Water Improvements                    | \$ 450,000           | \$ 0             | \$ 50,000           | \$ 400,000           | \$ 50,000              |
| Water Improvements                    | 6,870,000            | 0                | 330,000             | 6,540,000            | 345,000                |
| Water Improvements                    | 5,190,000            | 0                | 240,000             | 4,950,000            | 245,000                |
| Recreation Center                     | 2,295,000            | 0                | 85,000              | 2,210,000            | 85,000                 |
| Recreation Center                     | 4,035,000            | 0                | 200,000             | 3,835,000            | 215,000                |
| <i>Total General Obligation Bonds</i> | <u>18,840,000</u>    | <u>0</u>         | <u>905,000</u>      | <u>17,935,000</u>    | <u>940,000</u>         |
| <i>Special Assessment Bonds</i>       |                      |                  |                     |                      |                        |
| Water Line                            | 18,615               | 0                | 2,327               | 16,288               | 2,327                  |
| <i>Total Special Assessment Bonds</i> | <u>18,615</u>        | <u>0</u>         | <u>2,327</u>        | <u>16,288</u>        | <u>2,327</u>           |
| Loan Payable                          | 1,371,210            | 0                | 59,368              | 1,311,842            | 62,160                 |
| Compensated Absences                  | 108,394              | 58,868           | 53,934              | 113,328              | 53,440                 |
| <b>Total Business-Type Activities</b> |                      |                  |                     |                      |                        |
| Long Term Liabilities                 | <u>\$ 20,338,219</u> | <u>\$ 58,868</u> | <u>\$ 1,020,629</u> | <u>\$ 19,376,458</u> | <u>\$ 1,057,927</u>    |

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

**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 when they become available.

Internal notes currently outstanding are as follows:

| <u>Purpose</u>                      | <u>Original<br/>Issue Date</u> | <u>Maturity<br/>Date</u> | <u>Interest Rates</u> | <u>Original<br/>Issue Amount</u> |
|-------------------------------------|--------------------------------|--------------------------|-----------------------|----------------------------------|
| <i>Governmental Activities</i>      |                                |                          |                       |                                  |
| 2006 Weed Cutting B                 | 12/10/07                       | 12/10/08                 | 0%                    | \$ 7,446                         |
| 2007 Weed Cutting                   | 09/24/07                       | 09/24/08                 | 0%                    | 3,000                            |
| South Harmony                       | 10/22/07                       | 10/22/08                 | 0%                    | 180,000                          |
| Abbeyville Rd Construction          | 12/10/07                       | 12/10/08                 | 0%                    | 344,000                          |
| Street Backhoe                      | 10/09/07                       | 10/09/08                 | 0%                    | 20,000                           |
| 2006 Certified Local Govt Subgrant  | 05/14/06                       | 05/14/08                 | 0%                    | 8,000                            |
| Emergency Road Repair               | 12/10/07                       | 12/10/08                 | 0%                    | 40,000                           |
| Ohio Rail Commission Grant          | 12/10/07                       | 05/14/08                 | 0%                    | 110,000                          |
| Ohio Small Cities CDBG              | 05/14/07                       | 05/14/08                 | 0%                    | 10,000                           |
| Intensive Probation 7/07 - 7/08     | 06/25/07                       | 06/25/08                 | 0%                    | 95,558                           |
| North State/South Broadway Railroad | 05/14/07                       | 05/14/08                 | 0%                    | 34,338                           |
| 2006 CHIP Grant                     | 03/26/07                       | 03/26/08                 | 0%                    | 79,798                           |
| Medina Municipal Airport            | 05/14/07                       | 05/14/08                 | 0%                    | 7,683                            |
| 2007 Vision 100 Grant               | 05/14/07                       | 05/14/08                 | 0%                    | <u>58,953</u>                    |
| Total                               |                                |                          |                       | <u>\$ 998,776</u>                |



**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

Internal note activity for the year ended December 31, 2007, consisted of the following:

|  | Balance<br>01/01/07 | Additions         | Reductions          | Balance<br>12/31/07 |
|--|---------------------|-------------------|---------------------|---------------------|
| <b>Governmental Activities</b>         |                     |                   |                     |                     |
| 2005 CDBG Grant                        | \$ 92,000           | \$ 0              | \$ 92,000           | \$ 0                |
| 2005 Ohio Small Cities Grant           | 10,000              | 0                 | 10,000              | 0                   |
| 2005 Weed Cutting                      | 1,769               | 0                 | 1,769               | 0                   |
| 2006 Airport Note                      | 82,256              | 0                 | 74,573              | 7,683               |
| 2006 CDBG Grant                        | 82,000              | 0                 | 82,000              | 0                   |
| 2006 CDBG Grant                        | 130,500             | 0                 | 130,500             | 0                   |
| 2006 Certified Sub Grant               | 8,000               | 0                 | 0                   | 8,000               |
| 2006 Weed Cutting                      | 5,000               | 2,446             | 0                   | 7,446               |
| 2006 Weed Cutting                      | 5,000               | 0                 | 5,000               | 0                   |
| 2007 Weed Cutting                      | 0                   | 3,000             | 0                   | 3,000               |
| Abbeyville Reconstruction              | 344,000             | 344,000           | 344,000             | 344,000             |
| Airport Vision 100 Grant               | 15,425              | 18,270            | 33,695              | 0                   |
| Airport Vision 100 Grant               | 0                   | 121,800           | 62,847              | 58,953              |
| CHIP Grant                             | 0                   | 130,500           | 50,702              | 79,798              |
| CHIP Grant                             | 462,933             | 0                 | 462,933             | 0                   |
| Cops in School Grant                   | 3,172               | 0                 | 3,172               | 0                   |
| Court Security                         | 3,406               | 0                 | 3,406               | 0                   |
| Emergency Railroad Repair              | 40,000              | 0                 | 0                   | 40,000              |
| Intensive Probation 7/05 - 6/06        | 98,317              | 0                 | 98,317              | 0                   |
| Intensive Probation 7/07 - 6/08        | 0                   | 115,039           | 19,481              | 95,558              |
| N. State/S. Broadway Railroad Crossing | 0                   | 34,338            | 0                   | 34,338              |
| Ohio Rail Commission                   | 110,000             | 0                 | 0                   | 110,000             |
| Small Cities Community Grant           | 0                   | 10,000            | 0                   | 10,000              |
| South Harmony                          | 0                   | 180,000           | 0                   | 180,000             |
| Streets Backhoe                        | 0                   | 20,000            | 0                   | 20,000              |
| <i>Total Governmental Activities</i>   | <u>1,493,778</u>    | <u>979,393</u>    | <u>1,474,395</u>    | <u>998,776</u>      |
| <b>Business-Type Activities</b>        |                     |                   |                     |                     |
| Sanitation Vehicle                     | 35,000              | 0                 | 35,000              | 0                   |
| Airport Vision 100                     | 2,845               | 0                 | 2,845               | 0                   |
| <i>Total Business-Type Activities</i>  | <u>37,845</u>       | <u>0</u>          | <u>37,845</u>       | <u>0</u>            |
| <i>Internal Notes</i>                  | <u>\$ 1,531,623</u> | <u>\$ 979,393</u> | <u>\$ 1,512,240</u> | <u>\$ 998,776</u>   |

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

A summary of the internal obligations by fund for the year ended December 31, 2007, are as follows:

| Receivable<br>Fund | Payable<br>Fund    | Amount     |
|--------------------|--------------------|------------|
| Water Fund         | Other Governmental | \$ 506,915 |
| Sanitation Fund    | Other Governmental | 491,861    |
| <br>Total          |                    | \$ 998,776 |

**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**

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, 2006, 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, 2007*

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**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 council 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.

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

**City of Medina, Medina County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**Note 19 – Contractual Commitments**

As of December 31, 2007, the City had contractual commitments for the following:

|                          | <u>Contractual<br/>Commitment</u> | <u>Expended</u>     | <u>Balance<br/>12/31/07</u> |
|--------------------------|-----------------------------------|---------------------|-----------------------------|
| City Wide Signal Project | \$ 1,535,480                      | \$ 939,267          | \$ 596,213                  |
| West Park Reconstruction | 1,272,500                         | 1,081,857           | 190,643                     |
| Branch Road Resurfacing  | <u>542,953</u>                    | <u>331,344</u>      | <u>211,609</u>              |
| Total                    | <u>\$ 3,350,933</u>               | <u>\$ 2,352,468</u> | <u>\$ 998,465</u>           |



**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

June 6, 2008

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, 2007, and have issued our report thereon dated June 6, 2008, which was a qualified opinion due to the inadequacy of the capital assets records. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City of Medina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Medina's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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 2007-001. 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 June 6, 2008.

#### 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 that we have reported to management of the City of Medina in a separate letter dated June 6, 2008.

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

*Rea & Associates, Inc.*

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

**FINDING NUMBER 2007-001**

**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 not recorded, the historical values for several parcels of land owned by the City.

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

We recommend that management:

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

Management feels that it is a cost - benefit issue in regards to the capital assets system. The cost of obtaining a revaluation of the capital assets, is not worth the benefit, but will be considered in future years. The initial cost of compliance would be significant, but the cost of keeping the system up-to-date should not be expensive.

**FINDING NUMBER 2007-002**

**Significant Deficiency - Treasury Notes**

The City issues internal revenue anticipation notes, and records them as investments, and when converting to a GAAP basis, arbitrarily picks a fund to show the receivable.

The City should indicate which funds are purchasing the notes and ensure they are not restricted. Also, when reviewing the year end reconciliation, we noted some balances were not correct.

It was also noted the City performs monthly bank reconciliations, but are not necessarily independent of the day-to-day functions, and although a review is performed by management, the review is not evidenced in writing.

We recommend the City set up a schedule to account for each issuance and payback of treasury notes which lines up with the Council ordinances approving them.

Management has started using a spreadsheet to keep track of these notes which should assist in their reconciliations. Management has also agreed to have the Finance Director sign each bank reconciliation after he reviews it.

**CITY OF MEDINA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

| <b>Finding Number</b> | <b>Finding Summary</b>                 | <b>Fully Corrected?</b> | <b>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain</b> |
|-----------------------|--|-------------------------|---|
| 2006-001              | Implement controls over Capital Assets | No                      | Reissued as Finding 2007-001  |





**Mary Taylor, CPA**  
Auditor of State

**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  
JULY 17, 2008**