



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF MEDINA
MEDINA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Medina, Medina County, Ohio, (the City) as of and for the year ended December 31, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 general purpose 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 opinion.

Because of the inadequacy of accounting records, we were unable to obtain sufficient evidence regarding the amounts at which property and equipment are recorded in the General Fixed Asset Account Group and Enterprise Funds in the accompanying balance sheet at December 31, 2000 (stated at \$15,437,082 and \$17,255,523, respectively), or the amount of depreciation expense for the year then ended (stated at \$524,705). We were unable to satisfy ourselves regarding fixed asset amounts by other auditing procedures.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about fixed asset amounts and related accumulated depreciation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Medina, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds 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 19, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

June 19, 2001

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CITY OF MEDINA - MEDINA COUNTY

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Current Assets:				
Equity in Pooled Cash and Investments	\$ 2,566,106	\$ 5,882,690	\$ 2,050,741	\$ 3,639,300
Cash with Fiscal Agent	0	0	23,267	0
Receivables:				
Trade (net of allowances)	0	0	0	94,720
Interfund Notes	0	0	0	0
Taxes	1,123,035	1,802,461	204,308	0
Delinquent Special Assessments	0	0	15,583	0
Intergovernmental	211,699	188,245	0	0
Other	94,051	81,609	0	0
Assessments	0	0	3,753,223	0
Inventory of Supplies	24,708	0	0	0
Due from Other Funds	699,072	0	0	127,260
Prepaid Items	11,930	780	0	0
Total Current Assets	<u>4,730,601</u>	<u>7,955,785</u>	<u>6,047,122</u>	<u>3,861,280</u>
Fixed Assets:				
Land and Improvements	0	0	0	0
Buildings	0	0	0	0
Improvements (other than buildings)	0	0	0	0
Machinery and Equipment	0	0	0	0
Vehicles	0	0	0	0
Accumulated Depreciation	0	0	0	0
Construction in Progress	0	0	0	0
Total Fixed Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Debits:				
Amount Available In Debt Service Funds	0	0	0	0
Amount to be Provided for Retirement of General Long Term Obligations	0	0	0	0
Total Other Debits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Other Debits	<u>\$ 4,730,601</u>	<u>\$ 7,955,785</u>	<u>\$ 6,047,122</u>	<u>\$ 3,861,280</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
Internal Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
\$ 17,702	\$ 7,414,975	\$ 1,048,480	\$ 0	\$ 0	\$ 0	\$ 22,619,994
0	0	0	0	0	0	23,267
0	861,277	0	0	0	0	955,997
0	1,368,956	0	0	0	0	1,368,956
0	0	0	0	0	0	3,129,804
0	0	0	0	0	0	15,583
0	14,011	0	0	0	0	413,955
0	0	0	0	0	0	175,660
0	0	0	0	0	0	3,753,223
0	24,071	0	0	0	0	48,779
0	57,907	0	0	0	0	884,239
0	754	0	0	0	0	13,464
17,702	9,741,951	1,048,480	0	0	0	33,402,921
0	3,065,568	0	550,222	0	0	3,615,790
0	2,902,821	0	4,520,431	0	0	7,423,252
0	14,706,726	0	2,964,516	0	0	17,671,242
0	1,693,540	0	4,142,977	0	0	5,836,517
0	1,796,914	0	3,258,936	0	0	5,055,850
0	(12,447,304)	0	0	0	0	(12,447,304)
0	5,537,258	0	0	0	0	5,537,258
0	17,255,523	0	15,437,082	0	0	32,692,605
0	0	0	0	1,931,186	0	1,931,186
0	0	0	0	3,838,694	0	3,838,694
0	0	0	0	5,769,880	0	5,769,880
\$ 17,702	\$ 26,997,474	\$ 1,048,480	\$ 15,437,082	\$ 5,769,880	\$ 0	\$ 71,865,406

CITY OF MEDINA - MEDINA COUNTY

Combined Balance Sheet

All Fund Types and Account Groups

(Continued)

December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities and Fund Equity				
Liabilities				
Accounts Payable	\$ 150,738	\$ 373,726	\$ 0	\$ 516,836
Interfund Notes Payable	0	1,017,393	0	82,500
Accrued Salaries, Wages and Benefits	195,334	295,710	0	0
Matured Interest Payable	0	0	23,267	0
Due to Other Funds	0	423,463	119,555	57,907
Undistributed Monies	0	0	0	0
Deferred Revenue	1,123,035	1,574,859	3,973,114	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Bonds Payable	0	0	0	0
Notes Payable	0	0	0	0
Total Liabilities	1,469,107	3,685,151	4,115,936	657,243
Fund Equity:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	933,258	661,407	0	1,240,449
Reserved for Endowments	0	0	0	0
Reserved for Inventory	24,708	0	0	0
Reserved for Prepaid Items	11,930	780	0	0
Reserved for Debt Services:				
Principal and Interest	0	0	1,931,186	0
Unreserved:				
Undesignated	2,291,598	3,608,447	0	1,963,588
Total Fund Equity	3,261,494	4,270,634	1,931,186	3,204,037
Total Liabilities and Fund Equity	\$ 4,730,601	\$ 7,955,785	\$ 6,047,122	\$ 3,861,280

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
Internal Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
\$ 2,720	\$ 2,250,363	\$ 12,331	\$ 0	\$ 0	\$	3,306,714
0	269,063	0	0	0		1,368,956
0	220,609	0	0	553,880		1,265,533
0	0	0	0	0		23,267
3,000	259,022	21,292	0	0		884,239
0	0	525,976	0	0		525,976
0	0	0	0	0		6,671,008
0	750,000	0	0	2,303,400		3,053,400
0	91,000	0	0	2,912,600		3,003,600
0	8,200,000	0	0	0		8,200,000
5,720	12,040,057	559,599	0	5,769,880		28,302,693
0	0	0	15,437,082	0		15,437,082
0	1,474,266	0	0	0		1,474,266
11,982	13,483,151	0	0	0		13,495,133
0	0	270,463	0	0		3,105,577
0	0	215,613	0	0		215,613
0	0	0	0	0		24,708
0	0	0	0	0		12,710
0	0	0	0	0		1,931,186
0	0	2,805	0	0		7,866,438
11,982	14,957,417	488,881	15,437,082	0		43,562,713
\$ 17,702	\$ 26,997,474	\$ 1,048,480	\$ 15,437,082	\$ 5,769,880	\$	71,865,406

CITY OF MEDINA - MEDINA COUNTY

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Local Taxes	\$ 1,318,183	\$ 5,682,829	\$ 272,534	\$ 0
Fees, License and Permits	1,446,753	783,613	0	0
Intergovernmental	1,607,855	1,511,491	28,318	0
Special Assessments	0	0	387,570	0
Charges for Services	73,661	210,295	0	525,982
Interest Income	805,843	31,795	0	80,254
Developer Deposits	0	0	0	0
Other	41,031	32,474	0	630
Total Revenues	5,293,326	8,252,497	688,422	606,866
Expenditures:				
Current:				
General Government	2,240,049	1,002,574	9,551	205,154
Security	2,614,305	2,543,482	0	0
Public Health	102,940	0	0	343
Community Development	509,471	26,874	0	0
Transportation	0	1,140,497	0	415,764
Basic Utility	0	36,779	0	265,837
Leisure Time	0	647,259	3,128	0
Capital Outlay	242,761	1,156,894	0	273,784
Debt Service:				
Principal Retirement	0	0	507,000	0
Interest	0	0	348,800	0
Total Expenditures	5,709,526	6,554,359	868,479	1,160,882
Excess of Revenues Over (Under) Expenditures	(416,200)	1,698,138	(180,057)	(554,016)
Other Financing Sources (Uses):				
Other Financing Sources	194,167	38,073	3,425	0
Other Financing Uses	(11,337)	(159,666)	(4,000)	(5,103)
Operating Transfers In	672,252	2,256,350	623,856	1,101,326
Operating Transfers Out	(202,610)	(4,161,385)	(105,927)	(62,217)
Total Other Financing Sources (Uses)	652,472	(2,026,628)	517,354	1,034,006
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	236,272	(328,490)	337,297	479,990
Fund Balances at Beginning Of Year	3,025,222	4,599,124	1,593,889	2,724,047
Fund Balances at End of Year	\$ 3,261,494	\$ 4,270,634	\$ 1,931,186	\$ 3,204,037

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type		Totals	
Expendable Trust		(Memorandum Only)	
\$	0	\$	7,273,546
	0		2,230,366
	0		3,147,664
	0		387,570
	0		809,938
	240		918,132
	178,631		178,631
	1,175		75,310
	180,046		15,021,157
	0		3,457,328
	0		5,157,787
	764		104,047
	0		536,345
	0		1,556,261
	0		302,616
	0		650,387
	90,144		1,763,583
	0		507,000
	0		348,800
	90,908		14,384,154
	89,138		637,003
	0		235,665
	(20,069)		(200,175)
	0		4,653,784
	(31,056)		(4,563,195)
	(51,125)		126,079
	38,013		763,082
	235,255		12,177,537
\$	273,268	\$	12,940,619

CITY OF MEDINA - MEDINA COUNTY

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 2000

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local Taxes	\$ 1,382,500	\$ 1,318,183	\$ (64,317)
Fees, License and Permits	1,260,875	1,465,587	204,712
Intergovernmental	1,152,888	1,529,422	376,534
Special Assessments	0	0	0
Charges for Services	51,300	59,620	8,320
Investment Income	0	1,022,340	1,022,340
Other	915,000	40,721	(874,279)
Total Revenues	4,762,563	5,435,873	673,310
Expenditures:			
Current:			
General Government	3,843,954	3,578,942	265,012
Security	2,771,821	2,869,907	(98,086)
Public Health	251,952	220,604	31,348
Community Development	589,391	538,986	50,405
Transportation	0	0	0
Basic Utility	0	0	0
Leisure Time	0	0	0
Capital Outlay	458,001	242,761	215,240
Debt Service			
Principal Retirement	0	0	0
Interest	0	0	0
Total Expenditures	7,915,119	7,451,200	463,919
Excess of Revenue Over (Under) Expenditures	(3,152,556)	(2,015,327)	1,137,229
Other Financing Sources (Uses):			
Proceeds of Notes	0	0	0
Other Financing Sources	81,506	194,167	112,661
Other Financing Uses	(11,469)	(11,337)	132
Advances In	56,200	65,305	9,105
Advances Out	(150,000)	(16,129)	133,871
Operating Transfers In	1,229,500	1,429,051	199,551
Operating Transfers Out	(547,155)	(371,676)	175,479
Other Financing Sources (Uses)	658,582	1,289,381	630,799
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,493,974)	(725,946)	1,768,028
Fund Balances at Beginning of Year	1,520,118	1,520,118	0
Prior Year's Encumbrances Appropriated	808,500	808,500	0
Fund Balances (Deficit) at End of Year	\$ (165,356)	\$ 1,602,672	\$ 1,768,028

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,258,700	\$ 5,702,156	\$ 443,456	\$ 285,900	\$ 272,534	\$ (13,366)
455,770	782,550	326,780	0	0	0
1,449,248	1,633,623	184,375	0	28,318	28,318
0	0	0	703,500	387,570	(315,930)
232,070	215,876	(16,194)	0	0	0
0	0	0	0	0	0
20,260	31,714	11,454	0	0	0
7,416,048	8,365,919	949,871	989,400	688,422	(300,978)
1,027,033	898,095	128,938	27,500	9,551	17,949
3,355,171	2,690,081	665,090	0	0	0
0	0	0	0	0	0
78,190	35,234	42,956	0	0	0
1,408,849	1,207,238	201,611	0	0	0
50,017	37,708	12,309	0	0	0
794,569	773,220	21,349	3,128	3,128	0
1,366,777	1,156,894	209,883	0	0	0
0	0	0	2,129,240	2,129,236	4
0	0	0	395,006	394,993	13
8,080,606	6,798,470	1,282,136	2,554,874	2,536,908	17,966
(664,558)	1,567,449	2,232,007	(1,565,474)	(1,848,486)	(283,012)
1,280,127	1,263,707	(16,420)	0	0	0
3,170	38,073	34,903	0	3,425	3,425
(226,961)	(159,666)	67,295	(4,000)	(4,000)	0
0	0	0	0	0	0
(52,181)	(49,264)	2,917	0	0	0
2,495,260	2,281,244	(214,016)	2,226,500	2,191,092	(35,408)
(5,791,580)	(5,826,084)	(34,504)	(11,712)	(4,734)	6,978
(2,292,165)	(2,451,990)	(159,825)	2,210,788	2,185,783	(25,005)
(2,956,723)	(884,541)	2,072,182	645,314	337,297	(308,017)
4,333,113	4,333,113	0	1,713,450	1,713,450	0
1,488,062	1,488,062	0	0	0	0
\$ 2,864,452	\$ 4,936,634	\$ 2,072,182	\$ 2,358,764	\$ 2,050,747	\$ (308,017)

CITY OF MEDINA - MEDINA COUNTY

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 2000

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Local Taxes	\$ 0	\$ 0	\$ 0
Fees, License and Permits	0	0	0
Intergovernmental	0	0	0
Special Assessments	0	0	0
Charges for Services	277,000	523,913	246,913
Investment Income	0	0	0
Other	0	630	630
Total Revenues	277,000	524,543	247,543
Expenditures:			
Current:			
General Government	229,490	507,883	(278,393)
Security	0	0	0
Public Health	2,500	2,500	0
Community Development	0	0	0
Transportation	426,279	693,939	(267,660)
Basic Utility	540,082	526,463	13,619
Leisure Time	112,189	96,451	15,738
Capital Outlay	9,664,503	3,799,306	5,865,197
Debt Service			
Principal Retirement	0	0	0
Interest	0	0	0
Total Expenditures	10,975,043	5,626,542	5,348,501
Excess of Revenue Over (Under) Expenditures	(10,698,043)	(5,101,999)	5,596,044
Other Financing Sources (Uses):			
Proceeds of Notes	160,000	8,282,500	8,122,500
Other Financing Sources	0	0	0
Other Financing Uses	(950)	(5,103)	(4,153)
Advances In	0	0	0
Advances Out	(4,607)	(4,607)	0
Operating Transfers In	1,260,000	1,156,162	(103,838)
Operating Transfers Out	(188,184)	(187,217)	967
Other Financing Sources (Uses)	1,226,259	9,241,735	8,015,476
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,471,784)	4,139,736	13,611,520
Fund Balances at Beginning of Year	3,181,541	3,181,541	0
Prior Year's Encumbrances Appropriated	675,130	675,130	0
Fund Balances (Deficit) at End of Year	\$ (5,615,113)	\$ 7,996,407	\$ 13,611,520

See accompanying notes to the general purpose financial statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 6,927,100	\$ 7,292,873	\$ 365,773
0	0	0	1,716,645	2,248,137	531,492
0	0	0	2,602,136	3,191,363	589,227
0	0	0	703,500	387,570	(315,930)
0	0	0	560,370	799,409	239,039
0	0	0	0	1,022,340	1,022,340
200	180,046	179,846	935,460	253,111	(682,349)
200	180,046	179,846	13,445,211	15,194,803	1,749,592
0	0	0	5,127,977	4,994,471	133,506
0	0	0	6,126,992	5,559,988	567,004
300	296	4	254,752	223,400	31,352
175	0	175	667,756	574,220	93,536
0	0	0	1,835,128	1,901,177	(66,049)
0	0	0	590,099	564,171	25,928
0	0	0	909,886	872,799	37,087
131,688	117,019	14,669	11,620,969	5,315,980	6,304,989
0	0	0	2,129,240	2,129,236	4
0	0	0	395,006	394,993	13
132,163	117,315	14,848	29,657,805	22,530,435	7,127,370
(131,963)	62,731	194,694	(16,212,594)	(7,335,632)	8,876,962
0	0	0	1,440,127	9,546,207	8,106,080
40,496	0	(40,496)	125,172	235,665	110,493
(292,131)	(290,477)	1,654	(535,511)	(470,583)	64,928
0	8,479	8,479	56,200	73,784	17,584
(3,867)	(3,867)	0	(210,655)	(73,867)	136,788
0	0	0	7,211,260	7,057,549	(153,711)
(22,367)	(31,056)	(8,689)	(6,560,998)	(6,420,767)	140,231
(277,869)	(316,921)	(39,052)	1,525,595	9,947,988	8,422,393
(409,832)	(254,190)	155,642	(14,686,999)	2,612,356	17,299,355
78,596	78,596	0	10,826,818	10,826,818	0
259,909	259,909	0	3,231,601	3,231,601	0
\$ (71,327)	\$ 84,315	\$ 155,642	\$ (628,580)	\$ 16,670,775	\$ 17,299,355

CITY OF MEDINA - MEDINA COUNTY

*Combined Statement of Revenues, Expenses,
and Changes in Retained Earnings*
All Proprietary Fund Types and Non-Expendable Trust Fund

For the Year Ended December 31, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Internal Service	Enterprise	Non-Expendable Trust	
Operating Revenue:				
Intergovernmental	\$ 0	\$ 95,197	\$ 0	\$ 95,197
Charges for Services	0	5,241,042	8,813	5,249,855
Other	0	7,472	111	7,583
Total Operating Revenues	0	5,343,711	8,924	5,352,635
Operating Expenses:				
Personal Services	0	1,550,160	0	1,550,160
Contractual Service	0	1,724,072	0	1,724,072
Materials and Supplies	0	566,693	0	566,693
Transportation	0	32,362	0	32,362
Depreciation	0	524,705	0	524,705
Total Operating Expenses	0	4,397,992	0	4,397,992
Operating Income (Loss)	0	945,719	8,924	954,643
Non-Operating Revenues (Expenses):				
Interest Income	0	116,240	0	116,240
Other Financing Sources	39,000	210	0	39,210
Other Financing Uses	(32,653)	(9,235)	0	(41,888)
Debt Service:				
Interest and fiscal charges	0	(46,193)	0	(46,193)
Total Non-Operating Revenues (Expenses)	6,347	61,022	0	67,369
Income Before Operating Transfers	6,347	1,006,741	8,924	1,022,012
Operating Transfers In	0	101,488	0	101,488
Operating Transfer Out	(11,778)	(180,149)	0	(191,927)
Net Income (Loss)	(5,431)	928,080	8,924	931,573
Retained Earnings at Beginning of Year	17,413	12,555,071	206,689	12,779,173
Retained Earnings at End of Year	\$ 11,982	\$ 13,483,151	\$ 215,613	\$ 13,710,746

See accompanying notes to the general purpose financial statements.

CITY OF MEDINA

Combined Statement of Cash Flows

All Proprietary Fund Types and Non-Expendable Trust Fund

For the Year Ended December 31, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Total
	Internal Service	Enterprise	Non-Expendable Trust	(Memorandum Only)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 0	\$ 5,169,710	\$ 16,922	\$ 5,186,632
Other Cash Receipts	5,720	0	0	5,720
Cash Payments for Goods and Services	0	(499,107)	0	(499,107)
Cash Payments for Employee Services and Benefits	0	(1,534,089)	0	(1,534,089)
<i>Net Cash Provided by Operating Activities</i>	<u>5,720</u>	<u>3,136,514</u>	<u>16,922</u>	<u>3,159,156</u>
Cash Flows from Noncapital Financing Activities:				
Operating Transfers	(11,778)	(78,661)	0	(90,439)
Other Financing Sources	39,000	210	0	39,210
Other Financing Uses	(32,653)	(9,235)	0	(41,888)
<i>Net Cash Used for Noncapital Financing Activities</i>	<u>(5,431)</u>	<u>(87,686)</u>	<u>0</u>	<u>(93,117)</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Notes	0	8,200,000	0	8,200,000
Payments for Capital Acquisitions	0	(6,610,720)	0	(6,610,720)
Principal Payments on Notes	0	(55,000)	0	(55,000)
Interest Paid on Bonds	0	(46,193)	0	(46,193)
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>0</u>	<u>1,488,087</u>	<u>0</u>	<u>1,488,087</u>
Cash Flows from Investing Activities:				
Interest on Investments	0	116,240	0	116,240
<i>Net Cash Provided by Investing Activities</i>	<u>0</u>	<u>116,240</u>	<u>0</u>	<u>116,240</u>
Net Increase in Cash and Cash Equivalents	289	4,653,155	16,922	4,670,366
Cash and Cash Equivalents at Beginning of Year	17,413	2,761,820	210,483	2,989,716
Cash and Cash Equivalents at End of Year	<u>\$ 17,702</u>	<u>\$ 7,414,975</u>	<u>\$ 227,405</u>	<u>\$ 7,660,082</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 0	\$ 945,719	\$ 8,924	\$ 954,643
Adjustments:				
Depreciation Expense	0	524,705	0	524,705
(Increase) Decrease in Assets:				
Accounts Receivable	0	(52,679)	0	(52,679)
Interfund Notes Receivable	0	(107,311)	0	(107,311)
Intergovernmental Receivable	0	(14,011)	0	(14,011)
Prepays	0	(591)	0	(591)
Inventory	0	2,007	0	2,007
Increase (Decrease) in Liabilities:				
Accounts Payable	2,720	1,685,300	0	1,688,020
Due to Other Funds	3,000	2,500	7,998	13,498
Accrued Salaries, Wages and Benefits	0	16,071	0	16,071
Interfund Payable	0	134,804	0	134,804
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 5,720</u>	<u>\$ 3,136,514</u>	<u>\$ 16,922</u>	<u>\$ 3,159,156</u>
RECONCILIATION OF FIDUCIARY FUND TYPE CASH AND CASH EQUIVALENTS TO THE COMBINED BALANCE SHEET:				
Non-Expendable Trust	\$ 227,405			
Expendable Trust	351,512			
Agency	469,563			
Cash and Cash Equivalents	<u>\$ 1,048,480</u>			

See accompanying notes to the general purpose financial statements.

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CITY OF MEDINA - MEDINA COUNTY

Notes to the General Purpose Financial Statements For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A.** *Description of the Reporting Entity* - 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 reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the city are not misleading. The primary government consists of all funds, departments, boards and agencies, that are not legally separate from the City. For the City of Medina, this includes police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, refuse collection and general administrative services.

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. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no Component units.

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

B. Basis of Accounting

Governmental Funds - All governmental, expendable trust funds and agency funds are accounted for using a modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period during which they become measurable and available. Expenditures are recognized in the accounting period during which the fund liability is incurred, if measurable.

Revenue Recognition - In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which for the City is considered to be 60 days after year end): investment earnings, rubbish collection billings, income taxes withheld by employers, estate taxes, fines and forfeitures, state-levied locally shared taxes (including motor vehicle fees), and federal entitlements. Reimbursements due for federally funded community development projects are accrued as revenue at the time the expenditures are made.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes receivable and delinquent property taxes receivable are recorded and deferred until they become available. Long-term special assessment receivables are recorded for the total special assessment taxes to be received by the entity for the period of the

CITY OF MEDINA - MEDINA COUNTY

Notes to the General Purpose Financial Statements (Continued) For the Year Ended December 31, 2000

B. Basis of Accounting (continued)

assessment. Special assessment and delinquent special assessment receivables are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition - The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Fund Types and Similar Trust Funds - All proprietary fund types and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled utility service receivables are recorded at each year end. Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

C. Fund Accounting

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

Capital Projects Funds - To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CITY OF MEDINA - MEDINA COUNTY

Notes to the General Purpose Financial Statements (Continued) For the Year Ended December 31, 2000

C. Fund Accounting (continued)

Proprietary Funds

Enterprise Funds - To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Internal Service Funds - To account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) Expendable Trust Funds, (b) Nonexpendable Trust Funds, and (c) Agency Funds.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Ordinance, all of which 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; only governmental funds are legally required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council.

Tax Budget - The Mayor presents the annual operating budget for the following fiscal year to City Council for consideration and passage in order for the adopted budget to be submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing

CITY OF MEDINA - MEDINA COUNTY

Notes to the General Purpose Financial Statements (Continued) For the Year Ended December 31, 2000

D. Budgetary Process (continued)

fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amount in the final amended official Certificate of Estimated Resources issued for 2000.

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 affixes spending authority at the fund, department and object level. The Appropriation Ordinance may be amended during the year, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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 and need not be reappropriated.

Governmental Fund Budgets - "The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Funds" is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

CITY OF MEDINA - MEDINA COUNTY

**Notes to the General Purpose Financial Statements (Continued)
For the Year Ended December 31, 2000**

D. Budgetary Process (continued)

- C. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types.
- D. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year from the GAAP basis to the budget basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis (as reported)	\$ 236,272	\$ (328,490)	\$ 337,297	\$ 479,990	\$ 38,013
Adjustments:					
Proceeds from notes	0	0	0	8,282,500	0
Revenue accruals	964,651	1,402,023	1,567,236	(27,487)	8,479
Expenditure accruals	(937,111)	(1,038,343)	(711,436)	(3,277,890)	(30,219)
Principal retirement for debt	0	0	(507,000)	0	0
Interest and fiscal charges for debt	0	0	(348,800)	0	0
Encumbrances	<u>(989,758)</u>	<u>(919,731)</u>	<u>0</u>	<u>(1,317,377)</u>	<u>(270,463)</u>
Budget basis	<u>\$ (725,946)</u>	<u>\$ (884,541)</u>	<u>\$ 337,297</u>	<u>\$ 4,139,736</u>	<u>\$ (254,190)</u>

Proprietary Fund Budgets - Each proprietary fund has a budget adopted similar to and at the same time as the governmental funds. Proprietary funds are reported on a full accrual basis of accounting and decision makers are concerned with results of operations on GAAP basis for these funds. Proprietary budgetary statements are not required to be reported, therefore, budget versus actual statements on the budgetary basis of accounting are not presented for proprietary funds.

Fiduciary Fund Budgets - The City officials do not budget for fiduciary funds in a manner similar to the governmental funds. The City recognizes that the money in these funds are unavailable for the City operations and thus not projected. Therefore budget to actual financial statements are not presented.

CITY OF MEDINA - MEDINA COUNTY

Notes to the General Purpose Financial Statements (Continued) For the Year Ended December 31, 2000

E. Investments and Inactive Funds

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest is recognized and recorded when earned. Interest revenue credited to the general fund during 2000 amounted to \$805,843, which includes \$652,733 assigned from other city funds. Equity in pooled cash and investments consists of certificates of deposits, repurchase agreements, and a money market checking account.

F. Accounts Receivable

All allowances for uncollectible accounts receivable represent estimates of uncollectible receivables of user charges within enterprise funds. Taxes, intergovernmental, other receivables, and special assessments are deemed collectible in full by the City management. The City grants credit to the public for services provided by the City.

G. Inventory

Inventory is valued at cost on a first-in, first-out basis. The costs of governmental fund type inventories are recorded as expenditures when purchased.

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date donated. The City has established a capitalization threshold for fixed assets at \$10,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated (in proprietary funds) over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary fund types is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

CITY OF MEDINA - MEDINA COUNTY

**Notes to the General Purpose Financial Statements (Continued)
For the Year Ended December 31, 2000**

I. Fund Balances (governmental funds)

Fund balances are reserved for encumbrances, endowments, inventory and prepaid items. The fund balance in the debt service fund is restricted for the retirement of debt principal and interest.

J. Accumulated Unpaid Vacation and Sick Pay

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 City 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 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.

In the governmental funds, the liability is recorded in the general long-term obligation account group. In the proprietary funds, the entire amount of unpaid compensated absences is recorded as a fund liability. The determinable obligations for accumulated unpaid vacation and accumulated sick pay for the City as a whole totaled \$597,665 at December 31, 2000.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. During 2000, there were transfers out in the agency fund. Since agency funds do not present budgetary statements, transfers in and transfers out do not balance on a budgetary basis. During the year ended December 31, 2000, the City had the following transfer transactions:

	Transfers <u>In</u>	Transfers <u>Out</u>
General Fund	\$ 672,252	\$ 202,610
Special Revenue	2,256,350	4,161,385
Debt Service	623,856	105,927
Capital Projects	1,101,326	62,217
Expendable Trust	0	31,056
Internal Service	0	11,778
Enterprise Funds	101,488	180,149
Agency Funds	<u>0</u>	<u>150</u>
Total	<u>\$ 4,755,272</u>	<u>\$ 4,755,272</u>

CITY OF MEDINA - MEDINA COUNTY

Notes to the General Purpose Financial Statements (Continued) For the Year Ended December 31, 2000

L. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have been made in the aggregation of this data.

M. Cash Flows

For purposes of the statement of cash flows, the city considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 2 - LEGAL COMPLIANCE

- A. Expenditures exceeded appropriations at the legal level of control throughout the year and at year end for certain accounts contrary to Ohio Revised Code Section 5705.41(B).
- B. The City did not certify the availability of funds for certain expenditures, contrary to Ohio Revised Code 5705.41(D).
- C. Total appropriations exceeded total certified estimated resources in numerous funds at year end contrary to Ohio revised Code 5705.39. However, actual fund resources were sufficient to finance fund appropriations.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the Combined Balance Sheet as "Equity in Pooled Cash and Investments."

Protection of the City's cash and investments is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Legal Requirements. Statutes require the classification of monies held by the City into three categories which determines the type of investments which can be made.

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" monies, those monies are not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

CITY OF MEDINA - MEDINA COUNTY

Notes to the General Purpose Financial Statements (Continued) For the Year Ended December 31, 2000

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Category 3 consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington.
3. Repurchase agreements in the securities enumerated above.
4. Interim deposits in the eligible institutions applying for interim monies.
5. Bonds and other obligations of the State of Ohio.
6. The State Treasurer's investment pool (STAR Ohio).

Notwithstanding the foregoing requirements, the City may invest any monies not required to be used for a period of six months in the following classes of investments:

1. Bonds or other obligations of the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
2. Discount notes of the Federal National Mortgage Association.
3. Bonds issued by the Homeowners' Loan Corporation.
4. Bonds of the State of Ohio.
5. Bonds of any municipal corporation, village, county, township, or other political subdivision of the state, as to which there is no default of principal, interest, or coupons.

Deposits. At year-end, the carrying amount of the City's deposits was \$21,769,213 and the bank balance was \$22,346,430: Of the bank balance:

1. \$800,000 was covered by federal depository insurance or by collateral held by the City's agent in the name of the City.
2. \$21,546,430 was uninsured and uncollateralized as defined by the Government Accounting Standards Board (GASB) because the collateral pledged by the financial institution or their trust departments or agents is not in the City's name, due to the fact the pledging bank has an investment and securities pool used to collateralize all public deposits. This pool had a market value at December 31, 2000 in excess of 110% of the public funds on deposit.

CITY OF MEDINA - MEDINA COUNTY

**Notes to the General Purpose Financial Statements (Continued)
For the Year Ended December 31, 2000**

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Investments. The City's investments are categorized below to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty or by its trust department or agency but not in the City's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$ 874,048	\$ 874,048	\$ 874,048

NOTE 4 - FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

	Balance 01/01/2000	Additions	Disposals	Balance 12/31/2000
Land	\$ 550,222	\$ 0	\$ 0	\$ 550,222
Buildings	4,520,431	0	0	4,520,431
Machinery and equipment	4,026,533	116,444	0	4,142,977
Vehicles	2,477,059	781,877	0	3,258,936
Improvements	2,527,764	436,752	0	2,964,516
Total general fixed assets	\$ 14,102,009	\$ 1,335,073	\$ 0	\$ 15,437,082

CITY OF MEDINA - MEDINA COUNTY

**Notes to the General Purpose Financial Statements (Continued)
For the Year Ended December 31, 2000**

NOTE 4 - FIXED ASSETS (continued)

The following is a summary of proprietary fund type assets at December 31, 2000:

	<u>Enterprise Funds</u>
Land & land improvements	\$ 3,065,568
Buildings	2,902,821
Improvements other than buildings	14,706,726
Machinery and equipment	1,693,540
Vehicles	1,796,914
Construction in progress	<u>5,537,258</u>
Total fixed assets	29,702,827
Less: accumulated depreciation	<u>(12,447,304)</u>
Net fixed assets	<u><u>\$ 17,255,523</u></u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings	50 years
Machinery and equipment	10-20 years
Vehicles	4-5 years
Improvements other than buildings	20-40 years

NOTE 5 - RETIREMENT COMMITMENTS

Public Employees Retirement System

The City contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions and 6% for law enforcement divisions. The 2000 employer contribution rate for local government employer units was 10.84% of covered payroll. For law enforcement, the employer rate was 15.70% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to PERS for the years ended December 31, 2000, 1999, and 1998, were \$541,682, \$591,624, and \$590,443, respectively.

CITY OF MEDINA - MEDINA COUNTY

Notes to the General Purpose Financial Statements (Continued) For the Year Ended December 31, 2000

NOTE 5 - RETIREMENT COMMITMENTS (continued)

Police and Firemen's Disability and Pension Fund (PFDPF)

The City contributes to the Police and Firemen's Disability and Pension Fund (PFDPF), a cost-sharing multiple employer defined benefit pension plan. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial statements and required supplementary information for PFDPF. That report may be obtained by writing to PFDPF, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively for police officers and firefighters. The City's contributions to PFDPF for the years ending December 31, 2000, 1999, and 1998, were \$384,562, \$335,546, and \$300,865, respectively, equal to the required contributions for each year.

NOTE 6 - POST EMPLOYMENT HEALTH CARE BENEFITS

Public Employees Retirement System

In addition to providing pension benefits through Public Employee Retirement System of Ohio ("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. The employer contribution rate was rolled back for the year 2000. For local government employer units the rate was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care for the year. The law enforcement employer rate was 15.70% and 4.3% was used to fund health care for the year.

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

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$12,473.6 million and \$1,668.1 million, respectively. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The number of statewide benefit recipients eligible for OPEB at December 31, 2000 was 401,339.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from

CITY OF MEDINA - MEDINA COUNTY

Notes to the General Purpose Financial Statements (Continued) For the Year Ended December 31, 2000

NOTE 6 - POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

4.2% to 4.3% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

Police and Firemen's Disability and Pension Fund (PFDPF)

The Police and Firemen's Disability and Pension Fund 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 that health care cost paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

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

Health care funding and accounting is on a pay-as-you-go basis. The Board defined allocation was 7.0% and 7.25% of covered payroll in 1999 and 2000, respectively. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible statewide to receive health care benefits as of December 31, 1999 (the latest information available) was 12,467 for police and 9,807 for firefighters. The City's 2000 contribution was \$140,992 to fund the City's portion of their 2000 OPEB obligation to the retirement system.

PFDPF total health care expenses for the year ending December 31, 1999 (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098.

CITY OF MEDINA - MEDINA COUNTY

**Notes to the General Purpose Financial Statements (Continued)
For the Year Ended December 31, 2000**

NOTE 7 – DEBT OBLIGATIONS

Changes in debt obligations at December 31, 2000, consisted of the following:

	<u>Balance</u> <u>01/01/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2000</u>
Notes payable				
Interest rate is 4.75%, due 7/01	\$ 0	\$ 8,200,000	\$ 0	\$ 8,200,000
General Obligation Bonds				
Interest rates vary from 3.25% to 9.63%, due through 2015	3,399,600	0	346,200	3,053,400
Special Assessment Bonds				
Interest rates vary from 6.25% to 12.00%, due through 2015	3,219,400	0	215,800	3,003,600
Compensated Absences	<u>544,096</u>	<u>490,468</u>	<u>480,684</u>	<u>553,880</u>
	<u>\$ 7,163,096</u>	<u>\$ 8,690,468</u>	<u>\$ 1,042,684</u>	<u>\$ 14,810,880</u>

Outstanding general obligation bonds consist of utility system and government building construction issues. 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.

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

The annual requirements to amortize all debt outstanding as of December 31, 2000 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Special</u> <u>Assessment</u> <u>Bonds</u>
2001	\$ 351,200	\$ 219,800
2002	351,200	221,800
2003	351,200	217,800
2004	291,200	197,800
2005	291,200	207,800
Thereafter	<u>1,417,400</u>	<u>1,938,600</u>
Total	<u>\$ 3,053,400</u>	<u>\$ 3,003,600</u>

The remaining interest to be paid on the general obligation bonds and special assessment bonds until maturity is \$804,810 and \$1,295,770, respectively.

CITY OF MEDINA - MEDINA COUNTY

**Notes to the General Purpose Financial Statements (Continued)
For the Year Ended December 31, 2000**

NOTE 8 - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1998.

Real property taxes become a lien on all nonexempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2000 was \$6.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.23 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$5.44 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.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2000, was \$6.00 of \$1,000 assessed valuation.

Real property - 1999 valuation	
Residential/agricultural	\$ 284,617,320
Commercial/industrial	<u>145,240,350</u>
	<u>\$ 429,857,670</u>
Tangible personal property - 2000 valuation	
General & public utilities	<u>\$ 90,222,930</u>

The Medina County Treasurer collects property tax on behalf of all taxing districts within the County. The Medina County Auditor periodically remits to the taxing districts their portions of the taxes collected.

NOTE 9 - LOCAL INCOME TAX

The City taxes earned income and net business profits at the rate of .5% . The Central Collection Agency is the City's agent for administering income tax collecting and accounting.

CITY OF MEDINA - MEDINA COUNTY

**Notes to the General Purpose Financial Statements (Continued)
For the Year Ended December 31, 2000**

NOTE 10 - INSURANCE

The City maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% co-insured.

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City which are financed primarily by user charges are water, sanitation and airport services.

The key financial information for the year ended December 31, 2000 for these non-similar enterprise activities is as follows:

	<u>Airport *</u>	<u>Sanitation</u>	<u>Water</u>	<u>Total</u>
Operating revenues	\$ 97,366	\$ 2,778,085	\$ 2,468,260	\$ 5,343,711
Operating expenses, before depreciation	66,631	2,468,298	1,338,358	3,873,287
Depreciation expense	<u>53,255</u>	<u>220,712</u>	<u>250,738</u>	<u>524,705</u>
Operating income (loss)	(22,520)	89,075	879,164	945,719
Net operating transfers out	0	0	(78,661)	(78,661)
Non-Operating revenue (expenses)	<u>210</u>	<u>35,381</u>	<u>25,431</u>	<u>61,022</u>
Net income (loss)	(22,310)	124,456	825,934	928,080
Assets	2,835,909	1,798,202	22,363,363	26,997,474
Net working capital	81,843	938,749	5,722,302	6,742,894
Notes payable	0	0	8,200,000	8,200,000
Bonds payable	0	0	841,000	841,000
Total equity	2,519,067	1,475,743	10,962,607	14,957,417

* Reflects operations as lessor. See note 13.

CITY OF MEDINA - MEDINA COUNTY

**Notes to the General Purpose Financial Statements (Continued)
For the Year Ended December 31, 2000**

NOTE 12 - INTERFUND ASSETS/LIABILITIES

Due to/Due From

Receivable Fund	Payable Fund	Amount
General	Non-Expendable Trust	\$ 11,792
General	Expendable Trust	9,500
General	Internal Service	3,000
General	Special Revenue	342,865
General	Debt Service	72,893
General	Enterprise	102,675
General	Enterprise	15,417
General	Enterprise	140,930
Enterprise	Capital Projects	57,907
Capital Projects	Special Revenue	80,598
Capital Projects	Debt Service	<u>46,662</u>
Total		<u><u>\$ 884,239</u></u>

Interfund Notes Receivable/Interfund Notes Payable

Receivable Fund	Payable Fund	Amount
Enterprise	Enterprise	\$ 269,063
Enterprise	Special Revenue	525,532
Enterprise	Capital Projects	82,500
Enterprise	Special Revenue	<u>491,861</u>
Total		<u><u>\$ 1,368,956</u></u>

CITY OF MEDINA - MEDINA COUNTY

**Notes to the General Purpose Financial Statements (Continued)
For the Year Ended December 31, 2000**

NOTE 13 - AIRPORT LEASE

On December 2, 1994, the City entered into a 20 year operating lease with Flight Services of Medina, a division of Olson Products. This lease began on January 1, 1995 and terminates on December 31, 2014 with an option to extend the term for an additional five years.

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

NOTE 14 - CONTINGENT LIABILITIES

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

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.

NOTE 15 - CONTRACTUAL COMMITMENTS

As of December 31, 2000, the City had contractual commitments for the following projects:

Project	Contractual Commitment	Expended	Balance 12/31/00
Airport	\$ 275,039	\$ 189,813	\$ 85,226
Cemetery	77,456	62,358	15,098
City Hall Carpet	29,183	13,262	15,921
Deliniation Study	2,500	0	2,500
E. Regan/N. Jefferson Signal Project	146,854	10,410	136,444
Electric Agregation	7,500	0	7,500
Guilford Blvd Crossing	24,996	0	24,996
Koons Pumping Station	63,889	0	63,889
N. Court Curbing	67,598	36,993	30,605
Reagan 6 Lights	4,750	0	4,750
Water Project	8,660,700	3,823,483	4,837,217
Weymouth Intersection	188,279	168,313	19,966
	<u>\$ 9,548,744</u>	<u>\$ 4,304,632</u>	<u>\$ 5,244,112</u>

**CITY OF MEDINA
MEDINA COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. Department of Housing and Urban Development				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants/Statistics	A-F-98-147-1 A-F-99-147-1 A-F-00-147-1	14.228	\$88,770	\$88,137 52,034 152
Total U.S. Department of Housing and Urban Development			88,770	140,323
U.S. Department of Justice				
<i>Direct :</i>				
Bulletproof Vest Grant		16.607	1,316	5,541
Public Safety Partnership and Community Policing Grants:		16.710	16,563 5,316 14,145 30,564 310,890	0 5,543 6,311 27,493 160,660
Total Public Safety Partnership and Community Policing Grants			377,478	200,007
<i>Passed through the Ohio Office of Criminal Justice Services:</i>				
Juvenile Justice and Delinquency Prevention Allocation to States	99-JJ-IN4-0471	16.540	7,500	6,774
Local Law Enforcement Block Grant Program	98-LE-LEB-3140	16.592		3,325
Total U.S. Department of Justice			386,294	215,647
Total Receipts and Expenditures of Federal Awards			<u>\$475,064</u>	<u>\$355,970</u>

See notes to the Schedule of Receipts and Expenditures of Federal Awards.

**CITY OF MEDINA
MEDINA COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the City Council:

We have audited the general purpose financial statements of the City of Medina, Medina County, Ohio, (the City) as of and for the year ended December 31, 2000, and have issued our qualified report thereon dated June 19, 2001, in which we noted the City's opinion was qualified due to a lack of evidence supporting General Fixed Asset Account Group and Enterprise Fund fixed assets. Except for our procedures relating to fixed assets, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-20952-001 through 2000-20952-003. We also noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated June 19, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2000-20952-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 19, 2001.

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

Jim Petro
Auditor of State

June 19, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the City Council:

Compliance

We have audited the compliance of the City of Medina, Medina County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2000. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2000.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

June 19, 2001

**CITY OF MEDINA
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Public Safety Partnership and Community Policing Grants CFDA 16.710
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	2000-20952-001
-----------------------	-----------------------

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

This section also provides for two “exceptions” to the above requirements:

- a. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate
- b. If the amount involved is less than \$1,000, the Finance Director may authorize payment through a Then and Now Certificate without affirmation of City Council, if such expenditure is otherwise valid

During 2000, 43 of the 60 expenditures tested were not certified by the Finance Director prior to incurring the obligation. Of the 43 tested, 41 had no certification and 2 were certified after the expenditure was made. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The City should inform all City employees of the requirements of Ohio Rev. Code Section 5705.41(D). The City should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.

In addition, the City’s policies and procedures call for the use of requisition for the initiation of a purchase by the City. It was noted during our testing that 49 of the 60 tested, the requisitions attached to the voucher packet were dated after the invoice. Also, 41 of the 60 vouchers tested had no purchase orders produced for the purchase.

The City should require a requisition and purchase order for all purchases. The requisitions and purchase orders should be approved by management in order to determine that the City has the funds available prior to ordering the items being purchased.

Finding Number	2000-20952-002
-----------------------	-----------------------

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2000, function level expenditures exceeded appropriations within the following funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund:			
Security	\$2,771,821	\$2,869,907	\$98,086
Special Revenue Funds:			
Operating Transfers Out	5,791,580	5,826,084	34,504
Capital Projects Funds:			
General Government	229,490	507,883	278,393
Transportation	426,279	693,939	267,660
Expendable Trust			
Operating Transfers Out	22,367	31,056	8,689

The Finance Director should frequently compare expenditures to appropriations at the function level to avoid potential overspending.

Finding Number	2000-20952-003
-----------------------	-----------------------

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the City to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During 2000, total appropriations exceeded total estimated resources at year end as follows:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$7,649,888	\$7,815,241	\$165,353
Special Revenue Funds:			
Local License Fee Fund	152,642	187,935	35,293
Street Maintenance & Repair	23	121,205	121,182
Income Tax	4,306,171	4,584,320	278,149
COPS Universal	412,946	642,239	229,293
Court Clerk Computer	170,628	196,511	25,883
Capital Projects Fund:			
Capital Projects	265,780	8,362,089	8,096,309
General Purpose Capital	473,383	543,200	69,817
Internal Service Funds:			
Payroll	7,100,833	7,660,300	559,467
Agency	23,507	49,280	25,773
Expendable Trust Fund:			
Developer Deposit	32,496	157,644	125,148

In addition, the City did not always obtain certificates from the County Auditor that appropriations from each fund do not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments. City Council should monitor appropriations versus estimated resources to help avoid overspending. In addition, the Finance Director should obtain the required certificate from the County Auditor when amending appropriations and estimated resources.

Finding Number	2000-20952-004
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Material Weakness

Fixed Assets:

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

The lack of a comprehensive fixed asset accounting system could result in the overstatement or understatement of fixed assets and related accumulated depreciation.

We recommend that management:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**CITY OF MEDINA
MEDINA COUNTY**

FOR THE YEAR ENDED DECEMBER 31, 2000

SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain</u>
1999-20952-001	The City did not certify the availability of funds for certain expenditures, contrary to Ohio Rev. Code Section 5705.41(D)	No	Not Corrected
1999-20952-002	Total appropriations exceeded total certified estimated resources in numerous funds at year end contrary to Ohio Rev. Code Section 5705.39	No	Not Corrected
1999-20952-003	A written investment policy, approved by the City Council, was not filed with the Auditor of State; and the City invested its funds in deposits that require such a policy, contrary to Ohio Rev. Code Section 135.14	No	Partially Corrected The City adopted an investment policy on December 12, 2000, but the investment policy was not on file with the Auditor of State nor have the respective depositories signed off on the policy, as required by the Revised Code.
1999-20952-004	The City does not maintain comprehensive records to account for fixed asset balances, additions, deletions, and accumulated depreciation.	No	Not Corrected



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF MEDINA

MEDINA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 21, 2001**