

CITY OF MADEIRA, OHIO

**Independent Auditors' Report
On Internal Control and Compliance**

December 31, 2004



**Auditor of State
Betty Montgomery**

City Council
City of Madeira
7141 Miami Ave.
Madeira, OH 45243

We have reviewed the *Independent Auditor's Report* of the City of Madeira, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2004 through December 31, 2004. 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 Madeira is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

November 16, 2005

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**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***

To the City Council
City of Madeira, Ohio:

We have audited the financial statements of the City of Madeira, Ohio as of and for the year ended December 31, 2004, and have issued our report thereon dated September 7, 2005 wherein we noted that the City implemented Governmental Accounting Standards Board Statements 34, 37, and 38 as well as Governmental Accounting Standards Board Interpretation 6. 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 Madeira, Ohio'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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City of Madeira, Ohio'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*.

We noted certain matters that we reported to management of the City of Madeira, Ohio in a separate letter dated September 7, 2005.

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

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
September 7, 2005

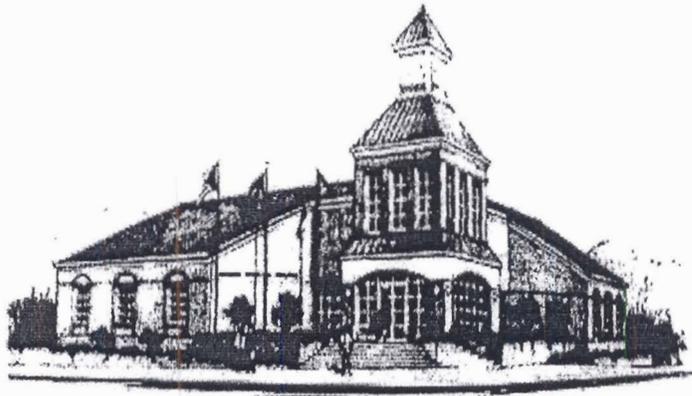
THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF MADEIRA

STATE OF OHIO

FOR THE YEAR ENDED DECEMBER 31, 2004



**CITY OF MADEIRA,
OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2004**

Prepared by:

Treasurer's Office

City of Madeira, Ohio
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended December 31, 2004

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Letter of Transmittal	3
GFOA Certificate of Achievement	8
Organizational Chart	9
List of Elected and Appointed Officials	10
 FINANCIAL SECTION	 11
Independent Auditor’s Report	13
Management’s Discussion and Analysis	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	29
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet - Governmental Funds	31
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	34
Statement of Net Assets - Proprietary Funds	35
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	36
Statement of Cash Flows - Proprietary Funds	37
Statement of Fiduciary Net Assets - Fiduciary Funds	38
Notes to the Financial Statements	39
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	60
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Debt Service Fund	61
Street Repair Special Revenue Fund	62
Recreation & Parks Special Revenue Fund	63
Street Dance Special Revenue Fund	64
Police Trust Special Revenue Fund	65

Police Forfeitures Special Revenue Fund	66
DUI Special Revenue Fund	67
Computer Special Revenue Fund	68
Veteran's Memorial Capital Projects Fund	69
Stormwater Capital Projects Fund	70
Central Business District Capital Project Fund	71
Capital Improvement & Reserve Capital Project Fund	72
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedule by Source	74
Schedule by Function and Activity	75
Schedule of Changes by Function and Activity	76

STATISTICAL SECTION

Government-wide information:	
Governmental Funds Expenses by Function	78
Governmental Funds Revenue by Source	79
Fund information:	
General Fund Expenditures by Function	80
General Fund Revenues by Source	81
Property Tax Levies and Collections	82
Assessed and Estimated Actual Value of Property	83
Property Tax Rates Direct and Overlapping Governments	84
Principle Real Estate Taxpayers	85
Computation of Legal Debt Margin	86
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita	87
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Fund Expenditures	88
Computation of Direct and Overlapping Debt	89
2000 U.S. Census and Demographic Statistics	90
Construction in Madeira	91
General Information	92

INTRODUCTORY SECTION

September 27, 2005

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Madeira:

State law requires that all general-purposes local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP). Pursuant to that requirements, we hereby issue the comprehensive annual financial report of the City of Madeira for the fiscal year ended December 31, 2004.

This report consists of management's representations concerning the finances of the City of Madeira. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Madeira has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Madeira financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Madeira's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Madeira's financial statements have been audited by Clark, Schaefer, Hackett & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Madeira for the fiscal year ended December 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Madeira's financial statements for the fiscal year ended December 31, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Madeira's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Madeira, incorporated in 1910 as a village, is located in the southwestern part of the state. The City of Madeira currently occupies a land area of 3.4 square miles and serves a population of 8,953. The City of Madeira is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Madeira has operated under the council-manager form of government since 1959. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The City's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day to day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members are elected at large and serve four-year staggered terms, with elections every two years. The Madeira Home Rule Charter specifies term limits of three consecutive terms.

The Madeira City Council elects a Mayor and Vice-Mayor from within its ranks. The Mayor and Vice-Mayor each serve a two-year term. The Mayor's primary duties include presiding over City Council meetings, performing ceremonial civic duties and overseeing the proceedings of Mayor's Court. The Vice-Mayor assumes the duties of the Mayor in his or her absence.

The City of Madeira provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events.

The annual budget serves as the foundation for the financial planning and control. The government's manager presents his proposed budget to the council for review prior to December 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of Madeira's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Madeira operates.

Local economy. The City of Madeira currently enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include consumer product manufacturers, jet engine and automobile component manufacturers, and several financial and insurance institutions.

The City's central business district is expected to maintain its current high occupancy rate with a variety of stores, specialty shops, and commercial businesses. Meanwhile, there continues to be a

discernable trend toward steady residential growth.

Long-term financial planning. The City Council plans to explore the possibility of developing and improving park space. The City of Madeira has already obtained indications from state officials that partial funding for the project may be available through one or more existing state grant programs.

The 2005 transportation-related project is expected to be the replacement of several streets. The cost of the street improvements are anticipated to be \$300,000.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, and the State Treasurer's investment pool. The maturities of the investments range from 30 days to 1 year, with an average maturity of 7 months. The average yield on investments was 2.5 percent for the City.

Pension and other postemployment benefits. The City of Madeira provides pension benefits for its employees. These benefits are provided through state-wide plans managed by the Ohio Public Employees Retirement System and Ohio Police and Fire Pension Fund Pension Board. The City of Madeira has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the state retirement systems.

The City of Madeira also provides postretirement health care benefits for certain retirees and other dependents. These benefits are provided through the above mentioned state-wide plans. Additional information on the City of Madeira's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

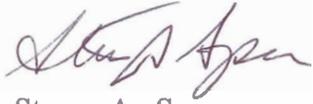
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Madeira for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2003. This was the tenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Madeira's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steven A. Soper". The signature is written in a cursive style with a large initial "S".

Steven A. Soper
Treasurer

A handwritten signature in black ink, appearing to read "Thomas W. Moeller". The signature is written in a cursive style with a large initial "T".

Thomas W. Moeller
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Madeira,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

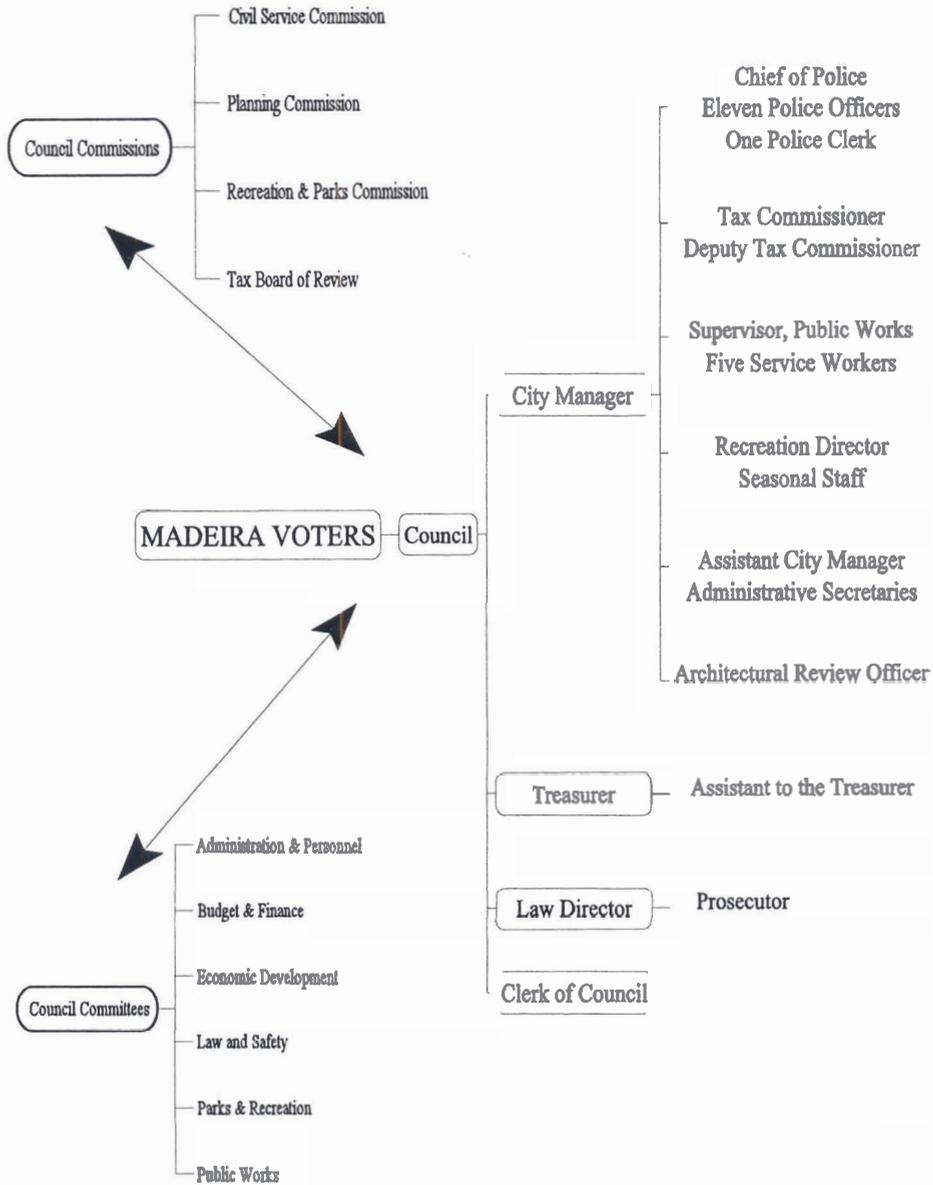
President

Jeffrey R. Emer

Executive Director

City of Madeira

Organizational Chart



FINANCIAL SECTION



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Madeira, Ohio:

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 Madeira, Ohio as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

In our opinion, 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 Madeira, Ohio as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV.F to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurements of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 15-25 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madeira, Ohio's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
September 27, 2005

Management's Discussion and Analysis

As management of the City of Madeira, we offer readers of the City of Madeira's financial statements this narrative overview and analysis of the financial activities of the City of Madeira for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in this report.

Financial Highlights

The assets of the City of Madeira exceeded its liabilities at the close of the most recent fiscal year by \$3,413,142 (net assets). Of this amount, \$1,916,785 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$350,925.

As of the close of the current fiscal year, the City of Madeira's governmental funds reported combined ending fund balances of \$1,842,058, an increase of \$16,547 in comparison with the prior year. Approximately 99 percent of this total amount, \$1,840,483 is available for spending at the government's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,492,244, or 34 percent of total general fund expenditures.

The City of Madeira's total debt decreased by \$215,000 (11 Percent) during the current fiscal year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Madeira's basic financial statements. The City of Madeira's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Madeira's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Madeira's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Madeira is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Madeira that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Madeira include general government, public safety, transportation, sanitation, community environment, and recreation. The business-type activity of the City of Madeira is rental property.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Madeira, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Madeira can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Madeira maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, both of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Madeira 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.

Proprietary fund. The City of Madeira maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-side financial statements. The City of Madeira uses an enterprise fund to account for its rental property operation.

Proprietary funds provide the same type of information as the governmental-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the rental property operation, which is considered to be a major fund of the City of Madeira.

Fiduciary funds. Fiduciary 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 statement because the resources of those funds are not available to support the City of Madeira's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Madeira, assets exceeded liabilities by \$3,413,142 at the close of the most recent fiscal year.

A portion of the City of Madeira's net assets (31 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets to provide services to citizens consequently, these assets are not available for future spending. Although the City of Madeira's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Madeira's Net Assets
(In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$4,525	\$4,319	\$29	\$59	\$4,554	\$4,378
Capital Assets	2,368	2,318	398	379	2,766	2,697
Total Assets	6,893	6,637	427	438	7,320	7,075
Long-term liabilities outstanding	1,912	2,097	0	0	1,912	2,097
Other liabilities	1,992	1,914	3	2	1,995	1,916
Total Liabilities	3,904	4,011	3	2	3,907	4,013
Net assets:						
Invested in capital assets, net of related debt	613	348	398	379	1,011	727
Restricted	486	288	0	0	486	288
Unrestricted	1,890	1,990	26	57	1,916	2,047
Total Net Assets	\$2,989	\$2,626	\$424	\$436	\$3,413	\$3,062

An additional portion of the City of Madeira's net assets (14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,916) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Madeira is able to report positive balances in all three categories of net assets, both for the government as whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$350,925 during the current fiscal year. About two thirds of this increase represents a decrease in ongoing street repair expenses. Approximately another third is attributable to a one-time infusion of resources from permits and grants. The remainder of this growth largely reflects increases in operating grants.

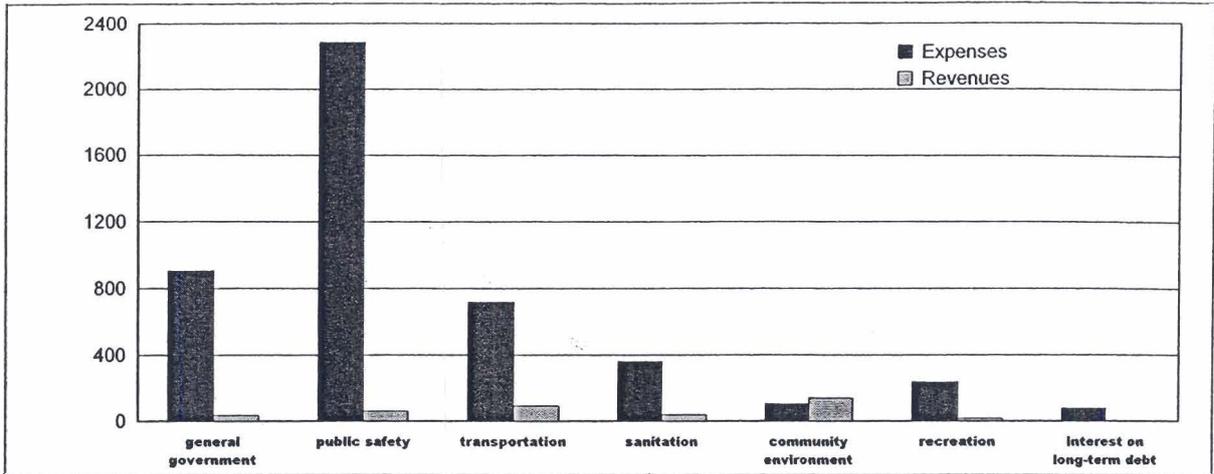
Governmental activities. Governmental activities increased the City of Madeira's net assets by \$362,535, thereby accounting for all of the growth in the net assets of the City of Madeira. This is the first year the city has prepared financial statements following GASB 34, therefore revenue and expense comparisons for the prior year are not available. In future years a comparative analysis of government-wide data will be presented.

**City of Madeira's Changes in Net Assets
(In Thousands)**

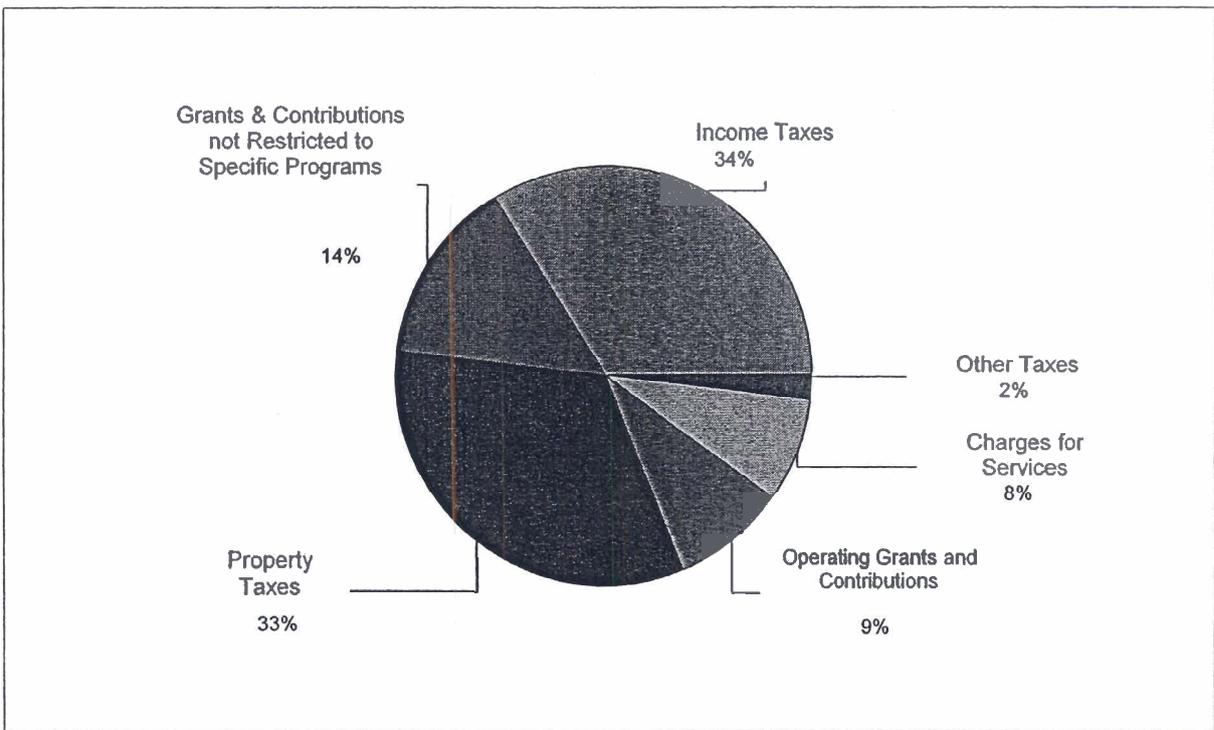
	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Revenues:			
Program revenues:			
Charges for Services	\$382	\$19	\$401
Operating Grants and Contributions	441	0	441
General revenues:			
Property Taxes	1,685	0	1,685
Other Taxes	1,784	0	1,784
Grants & Contributions not Restricted to Specific Programs	735	0	735
Investment Earnings	21	0	21
Total Revenues	5,048	19	5,067
Expenses:			
General Government	904	0	904
Public Safety	2,287	0	2,287
Transportation	719	0	719
Sanitation	360	0	360
Community Environment	103	0	103
Recreation	235	0	235
Interest on Long-Term Debt	77	0	77
Rental Property	0	31	31
Total Expenses	4,685	31	4,716
Increase/(Decrease) in net assets	363	(12)	351
Net Assets - 1/1/04	2,626	436	3,062
Net Assets - 12/31/04	\$2,989	\$424	\$3,413

- Income and property tax collections were relatively unchanged from the previous year. The Income tax decreased by the amount of property tax increase. The small reduction in income tax was due to the flat economy, a business moving out of the City, and replacement business not starting up immediately after departures.
- Street maintenance program was scaled back as the City was unsure of what state grant money would be available for improvements and repairs.

Expenses and Program Revenues - Governmental Activities
(In thousands)



Revenues by Source - Governmental Activities

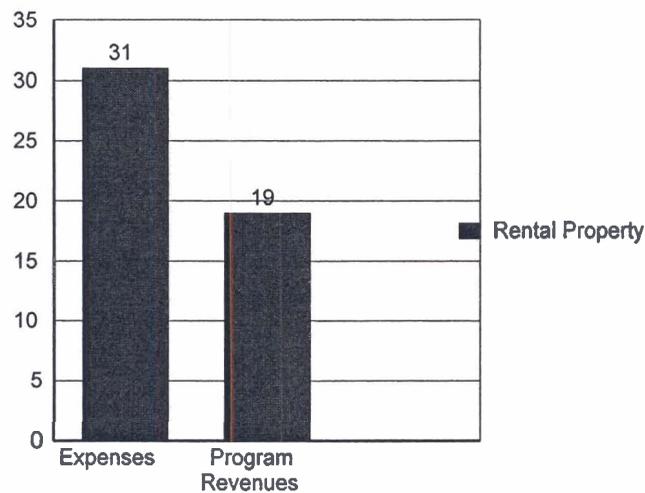


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities decreased the City of Madeira's net assets by \$11,000. Key elements of this decrease are as follows.

- Property maintenance expenses and depreciation exceeding rental income.

**Expenses and Program Revenues - Business-type Activities
(In Thousands)**

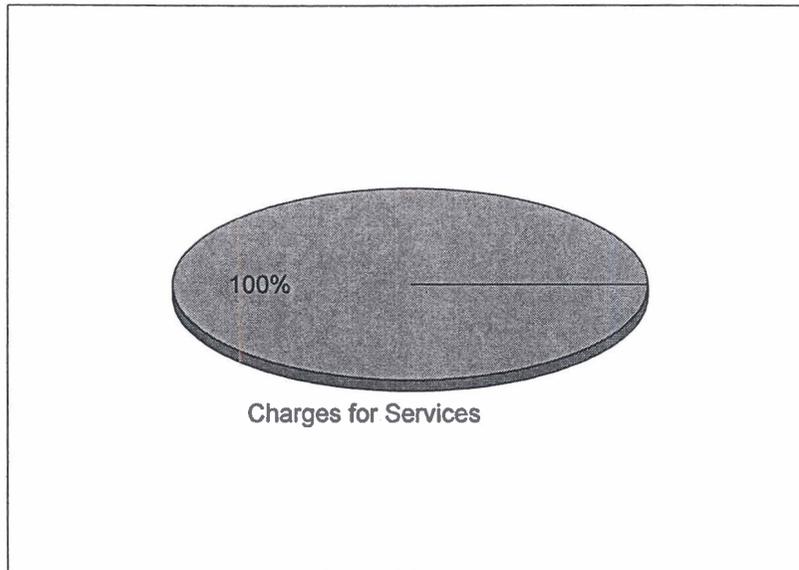


Financial analysis of the City of Madeira's Funds

As noted earlier, the City of Madeira uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Madeira's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Madeira's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments's net resources available for spending at the end of the fiscal year.

Revenues by Source - Business-type Activities



As of the end of the current fiscal year, the City of Madeira's governmental funds reported combined ending fund balances of \$1,842,058, an increase of \$16,547 in comparison with the prior year. Approximately all of this total amount \$1,840,483 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service (\$1,575).

The general fund is the chief operating fund of the City of Madeira. At the end of the current fiscal year, unreserved fund balance and total fund balance of the general fund was \$1,492,244. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 34 percent of total general fund expenditures.

The fund balance of the City of Madeira's general fund decreased by \$45,780 during the current fiscal year. Key factors in this decrease are as follows:

- Transfers to debt service fund of \$153,336.

The debt service fund has a total fund balance of \$1,575, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$14,807.

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

Unrestricted net assets of the rental property at the end of the year amounted to \$26,644. The

decrease in net assets was \$11,610. Other factors concerning the finances of this fund has already been addressed in the discussion of the City of Madeira business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$320,000 increase in appropriations) and can be briefly summarized as follows:

- \$206,000 in increases in street & sidewalk improvements.
- \$75,000 in increases allocated to the police department.
- \$30,000 in increases allocated to the community environment.
- \$67,000 in increases allocated for general government.
- (\$58,000) decrease in other financing uses.

Of this increase, \$206,000 was to be funded out of various charges for services. The remaining \$114,000 was to be budgeted from increases in intergovernmental revenues. During the year, however, revenues did not exceed budgetary estimates and expenditures were less than budgetary estimates, thus reducing the amount to be drawn upon the existing fund balance.

Capital Asset and Debt Administration

Capital assets. The City of Madeira's investment in capital assets for its governmental and business type activities as of December 31, 2004 amounts to \$2,766,000 (net of accumulated depreciation). This investment in capital assets includes vehicles, improvements, furniture and equipment and roads. The total increase in the City of Madeira's investment in capital assets for the current fiscal year was 3 percent.

Major capital asset events during the current fiscal year included the following:

- A variety of street construction projects related to resurfacing of existing streets totaling \$248,000.

**City of Madeira's Capital Assets
(net of depreciation)
(In thousands)**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$645	\$645	\$134	\$134	\$779	\$779
Buildings and Improvements	1,153	1,336	264	245	1,417	1,581
Vehicles	115	107	0	0	115	107
Furniture and Software	207	230	0	0	207	230
Infrastructure	248	0	0	0	248	0
Total	\$2,368	\$2,318	\$398	\$379	\$2,766	\$2,697

Additional information on City of Madeira's capital assets can be found in note IV.C.

Long-term debt. At the end of the current year, the City of Madeira had total bonded debt outstanding of \$1,755,000.

All \$1,755,000 is backed by the full faith and credit of the government.

**City of Madeira's Outstanding Debt
General Obligation Bonds
(In thousands)**

	Governmental Activities	
	2004	2003
General obligation bonds	1,755	1,970

Additional information on City of Madeira's long-term debt can be found in note IV.D.

The City of Madeira's total debt decreased by \$215,000 during the current fiscal year. The key factor in this decrease was the scheduled principle retirement.

Economic Factors and Next Year's Budgets and Rates

- The occupancy rate of the City's central business district has remained at a high percent for the past three years.
- Inflationary trends in the region compare favorably to national indices.
- Building permits have increased in the last two years.

All of these factors were considered in preparing the City of Madeira's budget for the 2005 fiscal

During the current fiscal year, unreserved fund balance in the general fund decreased to \$1,49. The City of Madeira has appropriated \$345,765 of this amount for spending in the 2005 fiscal budget. It is intended that this use of available fund balance will avoid the need to raise tax charges during the 2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Madeiras finances all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Treasurer 7141 Miami Avenue, Madeira, Ohio, 45243.

BASIC FINANCIAL STATEMENTS

CITY OF MADEIRA

Statement of Net Assets
December 31, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$967,095	\$29,446	\$996,541
Investments	493,935	0	493,935
Receivables Net of Allowance for Uncollectible Accounts:			
Taxes Receivable	2,413,968	0	2,413,968
Intergovernmental Receivable	482,864	0	482,864
Accounts Receivables	147,596	0	147,596
Inventory of Supplies	20,081	0	20,081
Capital Assets - Land	645,000	134,008	779,008
Capital Assets, Net of Accumulated Depreciation	1,722,917	263,706	1,986,623
Total Assets	<u>6,893,456</u>	<u>427,160</u>	<u>7,320,616</u>
LIABILITIES:			
Accounts Payable	182,741	2,802	185,543
Accrued Payroll	128,230	0	128,230
Unearned Revenues	2,520	0	2,520
Deferred Revenues	1,660,540	0	1,660,540
Accrued Interest	18,585	0	18,585
Noncurrent Liabilities:			
Due within one year	298,528	0	298,528
Due in more than one year	1,613,528	0	1,613,528
Total Liabilities	<u>3,904,672</u>	<u>2,802</u>	<u>3,907,474</u>
NET ASSETS			
Investment in Capital Assets, net of related debt	612,917	397,714	1,010,631
Restricted for:			
Transportation	390,350	0	390,350
Debt Service	1,575	0	1,575
Other Purposes	93,801	0	93,801
Unrestricted	1,890,141	26,644	1,916,785
Total Net Assets	<u>\$2,988,784</u>	<u>\$424,358</u>	<u>\$3,413,142</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

Statement of Activities
For the Year Ended December 31, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities:						
General Government	\$903,646	\$34,981	\$1,126	(\$867,539)	\$0	(\$867,539)
Public Safety	2,286,812	60,355	8,215	(2,218,242)	0	(2,218,242)
Transportation	719,424	92,693	417,430	(209,301)	0	(209,301)
Sanitation	360,059	39,294	0	(320,765)	0	(320,765)
Community Environment	103,255	138,871	0	35,616	0	35,616
Recreation	235,110	15,895	13,850	(205,365)	0	(205,365)
Interest on Long Term Debt	76,892	0	0	(76,892)	0	(76,892)
Total Governmental Activities	4,685,198	382,089	440,621	(3,862,488)	0	(3,862,488)
Business-Type Activities:						
Rental Property	31,140	19,530	0	0	(11,610)	(11,610)
Total Business-Type Activities	31,140	19,530	0	0	(11,610)	(11,610)
Total - Primary Government	\$4,716,338	\$401,619	\$440,621	(3,862,488)	(11,610)	(3,874,098)
General Revenues						
Property Taxes				1,685,251	0	1,685,251
Income Taxes				1,693,183	0	1,693,183
Franchise Taxes				90,861	0	90,861
Grants and Contributions Not Restricted to Specific Programs				734,800	0	734,800
Unrestricted Investment Earnings				20,928	0	20,928
Total General Revenues				4,225,023	0	4,225,023
Change in Net Assets				362,535	(11,610)	350,925
Net Assets Beginning of Year				2,626,249	435,968	3,062,217
Net Assets End of Year				\$2,988,784	\$424,358	\$3,413,142

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

**Balance Sheet
Governmental Funds
December 31, 2004**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$673,673	\$1,575	\$291,847	\$967,095
Investments	493,935	0	0	493,935
Taxes Receivable	2,407,698	6,270	0	2,413,968
Intergovernmental Receivable	285,330	0	197,534	482,864
Other Receivables	145,211	0	2,385	147,596
Inventory of Supplies	20,081	0	0	20,081
Total Assets	<u>4,025,928</u>	<u>7,845</u>	<u>491,766</u>	<u>4,528,187</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	175,126	0	7,615	182,741
Accrued Payroll	133,430	0	0	133,430
Deferred Revenues	2,225,128	6,270	135,912	2,367,310
Total Liabilities	<u>2,533,684</u>	<u>6,270</u>	<u>143,527</u>	<u>2,683,481</u>
Fund Balances:				
Reserved for:				
Debt Service	0	1,575	0	1,575
Unreserved, Reported in:				
General Fund	1,492,244			<u>1,492,244</u>
Special Revenue Funds			268,998	<u>268,998</u>
Capital Project Funds	0	0	79,241	<u>79,241</u>
Total Fund Balances	<u>1,492,244</u>	<u>1,575</u>	<u>348,239</u>	<u>1,842,058</u>
Total Liabilities and Fund Balances	<u>\$4,025,928</u>	<u>\$7,845</u>	<u>\$491,766</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,367,917
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	704,250
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,925,441)</u>
Net Assets of Governmental Activities	<u>\$2,988,784</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$3,219,972	\$98,837	\$0	\$3,318,809
Licenses & Permits	138,871	0	0	138,871
Intergovernmental Revenue	703,619	13,404	390,932	1,107,955
Charges for Services	63,391	0	19,425	82,816
Investment Earnings	20,928	0	0	20,928
Fines & Forfeitures	57,102	0	1,322	58,424
All Other Revenues	203,061	0	12,967	216,028
Total Revenues	<u>4,406,944</u>	<u>112,241</u>	<u>424,646</u>	<u>4,943,831</u>
EXPENDITURES				
Current				
Public Safety	2,267,672	0	7,029	2,274,701
Recreation	112,898	0	21,035	133,933
Community Environment	97,009	0	6,246	103,255
Transportation	661,755	0	275,309	937,064
Sanitation	360,059	0	0	360,059
General Government	799,995	1,351	0	801,346
Capital Outlay	0	0	23,393	23,393
Debt Service				
Principal Retirement	0	215,000	0	215,000
Interest	0	78,533	0	78,533
Total Expenditures	<u>4,299,388</u>	<u>294,884</u>	<u>333,012</u>	<u>4,927,284</u>
Excess/(Deficiency) of Revenues over (under) Expenditures	<u>107,556</u>	<u>(182,643)</u>	<u>91,634</u>	<u>16,547</u>
OTHER FINANCING SOURCES/(USES)				
Transfers In	0	167,836	25,500	193,336
Transfers Out	(153,336)	0	(40,000)	(193,336)
Total Other Financing Sources and Uses	<u>(153,336)</u>	<u>167,836</u>	<u>(14,500)</u>	<u>0</u>
Net Change in Fund Balances	<u>(45,780)</u>	<u>(14,807)</u>	<u>77,134</u>	<u>16,547</u>
Fund Balance - Beginning	<u>1,538,024</u>	<u>16,382</u>	<u>271,105</u>	<u>1,825,511</u>
Fund Balance - Ending	<u>\$1,492,244</u>	<u>\$1,575</u>	<u>\$348,239</u>	<u>\$1,842,058</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds	16,547
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**Amounts reported for governmental activities in the
statement of activities are different because**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

50,008

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(10,088)
Income Tax	69,714
Intergovernmental Revenues	<u>44,276</u>

Total

103,902

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

215,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

1,641

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences

(24,563)

Change in Net Assets of Governmental Activities

362,535

CITY OF MADEIRA, OHIO

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
REVENUES				
Taxes	\$3,332,000	\$3,332,000	\$3,219,972	(\$112,028)
Licenses & Permits	58,500	128,500	138,871	10,371
Intergovernmental Revenue	603,200	718,200	703,619	(14,581)
Charges for Services	52,600	52,600	63,391	10,791
Investment Earnings	20,000	20,000	20,928	928
Fines & Forfeitures	71,000	71,000	57,102	(13,898)
All Other Revenues	73,500	209,500	203,061	(6,439)
Total Revenues	<u>4,210,800</u>	<u>4,531,800</u>	<u>4,406,944</u>	<u>(124,856)</u>
EXPENDITURES				
Current:				
Public Safety	2,248,800	2,323,800	2,267,672	56,128
Recreation	124,150	124,150	112,898	11,252
Community Environment	76,700	107,200	97,009	10,191
Transportation	588,300	794,300	661,755	132,545
Sanitation	375,000	375,000	360,059	14,941
General Government	789,075	856,075	799,995	56,080
Total Expenditures	<u>4,202,025</u>	<u>4,580,525</u>	<u>4,299,388</u>	<u>281,137</u>
Excess of Revenues Over Expenditures	<u>8,775</u>	<u>(48,725)</u>	<u>107,556</u>	<u>156,281</u>
OTHER FINANCING SOURCES/(USES)				
Transfers Out	(211,000)	(153,336)	(153,336)	0
Total Other Financing Sources/(Uses)	<u>(211,000)</u>	<u>(153,336)</u>	<u>(153,336)</u>	<u>0</u>
Net Change in Fund Balance	(202,225)	(202,061)	(45,780)	156,281
Fund Balance - Beginning	<u>1,538,024</u>	<u>1,538,024</u>	<u>1,538,024</u>	<u>0</u>
Fund Balance - Ending	<u>\$1,335,799</u>	<u>\$1,335,963</u>	<u>\$1,492,244</u>	<u>\$156,281</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

Statement of Net Assets Proprietary Fund December 31, 2004

	Business-type Activities Enterprise Fund
	Rental Property
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$29,446
Total Current Assets	29,446
Noncurrent Assets:	
Capital Assets:	
Land	134,008
Depreciable Capital Assets, Net	263,706
Total Noncurrent Assets	397,714
Total Assets	427,160
LIABILITIES:	
Current Liabilities:	
Accounts Payable	2,802
Total Current Liabilities	2,802
Total Liabilities	2,802
Net Assets	
Invested in Capital Assets, Net of Related Debt	397,714
Unrestricted	26,644
Total Net Assets	\$424,358

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

**Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2004**

	<u>Business-type Activities Enterprise Fund</u>
	<u>Rental Property</u>
Operating Revenues	
Rents	<u>\$19,530</u>
Total Operating Revenues	<u>19,530</u>
Operating Expenses	
General Operating Supplies	251
Insurance	5,641
Professional Services	5,201
Repairs & Maintenance	2,590
Property Taxes	4,294
Depreciation	<u>13,163</u>
Total Operating Expenses	<u>31,140</u>
Operating Income (Loss)	<u>(11,610)</u>
Total Net Assets Beginning of Year	<u>435,968</u>
Total Net Assets End of Year	<u><u>\$424,358</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2004

	Business-Type Activities Enterprise Fund
	Rental Property
Cash Flows from Operating Activities	
Cash Received from Customers	\$20,710
Cash Payments for Goods and Services	(17,522)
Net Cash Provided by Operating Activities	3,188
Cash Flows from Capital and Related Financing Activities	
Property Improvements	(31,959)
Net Cash Provided by (Used) by Capital and Related Financing Activities	(31,959)
Net (Decrease) in Cash and Cash Equivalents	(28,771)
Cash and Cash Equivalents Beginning of Year	58,217
Cash and Cash Equivalents End of Year	29,446
 Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities	
Operating (Loss)	(11,610)
Adjustments:	
Depreciation	13,163
Decrease in Assets:	
Accounts Receivable	1,180
Increase in Liabilities:	
Accounts Payable	455
Net Cash Provided by Operating Activities	\$3,188

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004

	<u>Agency Fund</u>
ASSETS	
Cash with Fiscal Agent	\$10,050
Total Assets	<u>10,050</u>
LIABILITIES	
Due to Other Governments	10,050
Total Liabilities	<u>10,050</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

I. Summary of significant accounting policies

A. Reporting Entity

The City of Madeira (the City) is a home rule municipal corporation organized under the laws of the State of Ohio. The City operates under its own charter, which provides for a council/manager form of government and was adopted in 1959. The seven-member council is elected to four-year terms. Every two years council selects one of its members to serve as mayor and one of its members to serve as vice-mayor. Council also appoints the city manager, treasurer, law director and clerk of council.

The City provides various services including police protection, parks and recreation, planning, street maintenance and repair, and community development. The City also provides refuse collection and fire protection through annual contracts with outside contractors.

For financial reporting purposes, the City's financial statements include all funds and account groups for which the City is financially accountable based upon criteria set forth in Governmental Accounting Standards Board (GASB) Statement 14. The City reviewed certain legally separate organizations to determine if the elected officials of the City were financially accountable. No such organizations were identified.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The government reports the following proprietary fund:

The proprietary fund type consists of only one Enterprise Fund. This fund accounts for operations of rental properties.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund in rent. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, Certificates of Deposit, repurchase agreements, and the State Treasurer's Investment Pool

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables

All trade and property tax receivables are considered collectable at December 31, 2004, and the allowance for uncollectible amounts receivable is zero.

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 2004.

Real property taxes collected in any calendar year are generally levied on assessed values as of January 1 of the preceding year according to the following calendar:

Property Tax Calendar - 2004 Collections

Lien Date	January 1, 2003
Levy Date	October 31, 2003
First Installment Payment Due	January 31, 2004
Second Installment Payment Due	June 20, 2004

The full tax rate applied to real property for the fiscal year ended December 31, 2004, was \$7.50 per \$1,000 of assessed valuation. 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 Hamilton County Treasurer collects property tax on behalf of all taxing districts within the County. The Hamilton County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Tangible personal property used in business, other than public utilities, is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts 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 by September 20.

Public utilities real and tangible personal property taxes collected in any calendar year are those levied on assessed values as of December 31 of the preceding year. Certain tangible personal property of public utilities is currently assessed at 100% of its true value. Real property of public utilities is currently assessed at 35% of true value. Property taxes on public utilities are subject to the same calendar as real property taxes, which is described above.

Property taxes that are measurable but not available at fiscal year end are recorded as a receivable with the corresponding revenue deferred until available. Delinquent property tax amounts, net of allowance for uncollectibles, are recorded if material in amount.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are

recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building & Improvements	27
Infrastructure	15
Vehicles	3
Office Furniture & Software	3-5

Infrastructure assets acquired prior to 2004 have not been capitalized.

5. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. However, a liability is recorded for employees eligible to retire as they would receive 40 percent of their accrued sick benefit up to a maximum of 480 hours. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Restatement of beginning fund balance:

January 1, 2004 fund balance for the General and Other Governmental Funds was understated by \$51,000 as follows:

	General Fund	Other Governmental Funds
Original Fund Balance January 1, 2004	\$1,517,024	\$239,105
Adjustment to include correct Intergovernmental Receivables	<u>19,000</u>	<u>32,000</u>
Corrected Fund Balance January 1, 2004	<u><u>\$1,538,024</u></u>	<u><u>\$271,105</u></u>

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,925,441 difference are as follows:

Bonds Payable	\$1,755,000
Accrued Interest Payable	18,585
Compensated Absences	<u>151,856</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$1,925,441</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statements of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital Outlay	\$321,725
Depreciation expense	<u>(271,717)</u>
Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 50,008</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

In 1994 the City, being a home rule municipal corporation, adopted, through ordinance, GAAP (generally accepted accounting principle) as its budgetary basis. This change was thought necessary in order to provide more comparable budget and actual revenue and expenditure analysis. Therefore, the revenue and expenditure statements contained herein for comparative purposes are presented on the basis of generally accepted accounting principles. The City is reporting at the legal level of budgetary control which requires the governing body to approve any over budget expenditures of appropriations or transfers of appropriated amounts at the function level.

Budgetary Process

Annual budgets are adopted for all governmental funds. The City adopts an annual budget for the proprietary fund; however, budgetary data is not presented for the proprietary fund due to the nature of the fund. There is no legal requirement to report on such budget. The budgetary process is prescribed by provisions of the Ohio Revised Code. The legal level of budgetary control under Ohio law is the level at which the appropriation measure is passed by the legislative authority of a local government. For the City, the legal level of control is the function level within each fund. Management may not amend the budget without council approval. Budgetary modifications may only be made by resolution of the City council. The major documents prepared are:

Tax Budget. A tax budget of estimated cash revenues and expenditures for all budgeted funds, for the period January 1 to December 31 of the following year, is submitted to the County Auditor by July 20 of each year. 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 revenues 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 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 appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. Because the tax budget prepared for the County Auditor is on a cash basis, those numbers do not match the GAAP-basis budget shown in this report as required by ordinance.

Appropriations. A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. 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 appropriations may be modified during the year only by an ordinance of council. During the year, one supplemental appropriation measure was passed. The budget figures which appear in the statements 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 in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered and unexpended appropriations lapse at year end. Encumbrances are closed to unreserved fund balance/retained earnings at year end and are re-encumbered and re-appropriated at the start of the following year.

IV. Detailed notes on all funds

A. Deposits and investments

The City follows the practice of pooling cash and investments with the Treasurer, except for the cash and cash equivalents in Agency Fund. Each fund's portion of total cash and investments is summarized by fund type in the Combined Balance Sheet as either "Cash and Cash Equivalents" and/or "Investments."

Protection of City 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 105 percent of public funds deposited. Collateral is held by trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions, but not in the name of the City.

GASB Statement No. 3 requires that the City's investments be classified in categories of credit risk. Category 1 includes investments that are insured or registered or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments with securities held by the counter party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments with the securities held by the counter party's trust department or agent but not in the City's name. Investments in Star Ohio and money market are not categorized since they are not evidenced by securities that exist in physical or book entry form.

At year-end, the carrying amount of the City's deposits per the City's records was \$733,310, and the bank balance was \$751,525. Of the bank balance \$603,985 was covered by Federal Depository Insurance. The remaining balance of \$147,540 was collateralized with securities held by the pledging financial institution's trust department, but not in the City's name.

	<u>Category I</u>	<u>Fair Value</u>
Certificates of Deposit	\$98,000	\$98,331
Certificates of Deposit	\$98,000	\$98,733
Certificates of Deposit	\$98,000	\$98,000
Certificates of Deposit	\$99,000	\$99,154
Certificates of Deposit	\$99,000	<u>\$99,717</u>
	Total	\$493,935

Investments not subject to categorization:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Star Ohio	\$ 666,710	\$ 666,710
Money Market	\$ 100,506	\$ 100,506

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 1,006,591	\$ 493,935
Investments:		
Certificates of Deposit	493,935	(493,935)
Money Market	(100,506)	100,506
Star Ohio	<u>(666,710)</u>	<u>666,710</u>
GASB Statement 3	\$ 733,310	\$ 767,216

B. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

C. Capital assets

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

<u>Governmental Activities</u>	Balance at 1/1/04	Increases	Decreases	Balance at 12/31/04
Land - not being depreciated	\$ 645,000	\$ -0-	\$ -0-	\$645,000
Capital Assets - being depreciated				
Bldg. & Land Improvements	2,503,365	-0-	-0-	2,503,365
Vehicles	471,584	59,429	(55,594)	475,419
Infrastructure	- 0 -	255,159	- 0 -	255,159
Furniture, Equipment and Software	480,406	7,137	- 0 -	487,543
Total Capital Assets	\$4,100,355	\$321,725	(\$55,594)	\$ 4,366,486
Less Accumulated Depreciation:				
Bldg. & Land Improvements	(1,167,098)	(183,157)	- 0 -	(1,350,255)
Vehicles	(364,624)	(51,884)	(55,594)	(360,914)
Infrastructure	- 0 -	(7,088)	- 0 -	(7,088)
Furniture, Equipment and Software	(250,724)	(29,588)	- 0 -	(280,312)
Total Accumulated Depreciation	(1,782,446)	(271,717)	(55,594)	(1,998,569)
Total Capital Assets, being depreciated, net	1,672,909	50,008	-0-	1,722,917
Governmental Activities Capital Assets, Net	\$2,317,909	\$50,008	- 0 -	\$2,367,917

<u>Business-type Activities</u>	Balance at 1/01/04	Additions	Deletions	Balance at 12/31/04
Land - not being depreciated	\$134,008	- 0 -	- 0 -	\$134,008
Capital assets being depreciated:				
Land Improvements	54,320	31,959	- 0 -	86,275
Buildings	<u>304,489</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>304,489</u>
Subtotal	\$492,817	31,959	- 0 -	524,776
Less Accum. Depreciation:				
Land Improvement	(8,612)	(1,915)	- 0 -	(10,527)
Buildings	<u>(105,287)</u>	<u>(11,248)</u>	<u>- 0 -</u>	<u>(116,535)</u>
Total Accum. Depreciation	<u>(113,899)</u>	<u>(13,163)</u>	<u>- 0 -</u>	<u>(127,062)</u>
Total Capital Assets, being depreciated, net	<u>244,910</u>	<u>18,796</u>	<u>- 0 -</u>	<u>263,706</u>
Net Capital Assets	<u>\$378,918</u>	<u>(13,163)</u>	<u>- 0 -</u>	<u>397,714</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$97,741
Public Safety	32,214
Highways and streets, including depreciation of general infrastructure assets	40,585
Recreation	<u>101,177</u>
Total depreciation expense - governmental activities	<u>\$271,717</u>
Business-type activities:	
Enterprise	<u>13,163</u>

D. Interfund transfers

Interfund transfers:

	<u>Transfers In:</u>		
	Debt Service	Nonmajor Governmental	Total
Transfer out:			
General Fund	\$127,836	\$25,500	\$153,336
Nonmajor governmental funds	40,000	- 0 -	40,000
Total transfers out	<u>\$167,836</u>	<u>\$25,500</u>	<u>\$193,336</u>

Transfers were made to fund debt service, capital improvements and subsidize recreation programs.

E. Long-term debt

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

In April 1, 1999, the City issued general obligation bonds in the amount of \$2,750,000 with interest rates ranging from 3.5% to 4.5% and maturing April 1, 2001 through April 1, 2011. Proceeds were used to pay off \$625,000 of outstanding notes as they matured during 1999, as well as, \$1,500,000 of bonds that were callable on December 1, 1999. The balance of the proceeds were used to fund improvements throughout the City.

The City had no conduit debt obligations at December 31, 2004.

Changes in long-term liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable					
General Obligation Bonds	\$1,970,000	- 0 -	\$215,000	\$1,755,000	\$220,000
Compensated absences	127,293	57,595	27,812	157,056	78,528
Governmental Activity					
Long-term liabilities	<u>\$2,097,293</u>	<u>\$57,595</u>	<u>\$242,812</u>	<u>\$1,912,056</u>	<u>\$298,528</u>

Debt Service Requirements to Maturity

<u>Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	220,000	69,940	289,940
2006	230,000	60,882	290,882
2007	240,000	51,305	291,305
2008	250,000	41,135	291,135
2009	260,000	30,295	290,295
2010-2011	<u>555,000</u>	<u>25,178</u>	<u>580,178</u>
Total	<u>\$1,755,000</u>	<u>\$278,735</u>	<u>\$2,033,735</u>

F. Change in Accounting Principles

For the fiscal year 2004, the City of Madeira implemented the following:

GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments.

GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus.

GASB Statement 38, Certain Financial Statement Note Disclosures.

GASB Interpretation No. 6, Recognition and Measurements of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

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

The beginning net asset amount for governmental programs reflects the change in fund balance at December 31, 2003 caused by the conversion to the accrual basis of accounting.

Fund balance - all governmental funds - December 31, 2003	\$1,774,511
GASB 34 adjustments:	
Capital assets	2,317,909
Long-term liabilities	(1,970,000)
Accrued interest payable	(20,226)
Compensated absences	(127,293)
Revenue recognition	<u>651,348</u>
Governmental activities net assets - December 31, 2003	<u>\$2,626,249</u>

V. Other information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters. During 2004, the City contracted with Miami Valley Risk Management Association for vehicle, property and general liability insurance. The City provided medical insurance through Humana Health Insurance, dental insurance through Dental Care Plus and life insurance through Humana Health Insurance.

Insurance Pool

Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) is a consortium of municipalities located in southwest Ohio which, beginning in 1988, formed an Association under Section 2744.081 of the Ohio Revised Code (ORC) to act collectively in addressing its members' risk management and risk financing needs. At December 31, 2004, Madeira's participation was limited to coverage for all property, crime liability, boiler and machinery and public official liability up to the limits stated below. MVRMA provides broad-based coverage, through self-insurance and commercial reinsurance, up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate.

MVRMA, Inc. is a corporation governed by a board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA, Inc. is subject to the approval of the board. The City of Madeira does not hold an equity interest in MVRMA, Inc.

The following is a summary of insurance coverage at year end:

- | | | |
|----|--------------------------------|--|
| 1. | General Liability | \$7,000,000/occurrence |
| | Automobile Liability | \$7,000,000/occurrence |
| | | \$1 million/occurrence self insured retention (SIR) |
| | | \$1 million/occurrence excess SIR - Government Entities Mutual (GEM)/Endurance Specialty Insurance Limited |
| 2. | Employment Practices Liability | \$1 million/occurrence SIR |
| | | \$6 million/occurrence and aggregate per member excess SIR - GEM/Endurance Specialty Insurance Limited |
| 3. | Public Officials Liability | \$1 million/occurrence SIR |

- | | | |
|----|---|--|
| | | \$6 million/occurrence and aggregate per member excess SIR - GEM/Endurance Specialty Insurance Limited |
| 4. | Property | \$100,000,000 per occurrence
\$250,000/occurrence SIR
\$100 million/occurrence excess SIR - Chubb/Federal Insurance |
| 5. | Boiler & Machinery
(included in property policy) | \$100,000,000 per occurrence
\$5,000/occurrence SIR except all waste water treatment/sewage, water treatment/pumping stations and any electrical substations, which would be \$10,000/occurrence
\$100 million occurrence excess SIR - Chubb/Federal Insurance |
| 6 | Flood (included in property policy) | \$25 million/occurrence and annual aggregate (Excludes Zone A) excess property SIR
\$1 million/occurrence and annual aggregate (Zone B & Shaded X) excess property SIR |
| 7. | Earthquake
(included in property policy) | \$25,000,000/occurrence and annual aggregate excess property SIR |

The deductible per occurrence for all types is \$2,500. Settlements have not exceeded insurance coverage in any of the past three years.

MVRMA prepares annual financial statements. Additional information can be obtained from their Comprehensive Annual Financial Report for 2004 by writing MVRMA, 4625 Presidential Way, Kettering, OH 45429.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. In order to lower rates charged to the City, the City has joined a group rating program through Ohio Municipal League.

B. Contingent liabilities

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

C. Contractual commitments

The City contracts with the Madeira/Indian Hill Joint Fire District for fire protection and emergency medical services. The contract fee for 2004 was \$1,085,400.

The City also contracts with CSI for solid waste collection. The contract fee for 2004 was \$374,325.

Health Department services are provided through Hamilton County. The cost of \$13,934 was deducted from property tax receipts collected by the County.

D. Resolution of legal claim

In March 1992, an employee of the City suffered a fatal accident while working on City business. In February of 1993, Council approved Resolution 10-93 which approved an agreement concerning a settlement with the employee's widow. The settlement provided for a guaranteed amount of \$88,400, payable to the widow (or her estate) in monthly installments of \$737 from February of 1993 through February of 2003. The guaranteed amount was paid off in February of 2003 and no liability exists at December 31, 2004 relative to the guaranteed settlement.

In addition, the agreement provided for monthly payments of \$650 to the widow after February of 2003, contingent upon death or remarriage. The City made all such required payments to the widow from January through December 2004.

E. Employee retirement systems and pension plans

Ohio Public Employees Retirement System

The City contributes to the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute at an actuarially determined rate of 8.5% of covered salary. The 2004 employer pension contribution rate for the City was 13.55% of covered payroll. The City's required contributions for pension obligations for the years ending December 31, 2004, 2003 and 2002 were \$87,573, \$87,089, and \$81,406,

respectively, equal to the required contributions each year.

Ohio Police and Fire Pension Fund

The City of Madeira contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F 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 are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while employers are required to contribute 19.5% for police officers. Contributions are authorized by state statute. The City's contributions to OP&F for the years ended December 31, 2004, 2003, and 2002 were \$136,814, \$127,097, and \$129,842, respectively, equal to the required contributions each year.

F. Other Postemployment benefits

Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post retirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll; of that amount 4.0% was the portion that was used to fund health care for 2004.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0%, an annual increase in active employee total payroll of 4.0% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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 annually.

The number of active contributing participants was 369,885. The City's actual contributions for 2004 which were used to fund postemployment benefits were \$25,852. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who received 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 two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code 742 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 rate is 19.5% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$54,315. The OP&F's total health care expenses for the year ended December 31, 2003, (the latest information available) were \$150,853,148, which was net of member contributions of \$17,207,506. The total number of participants eligible to receive health care benefits as of December 31, 2003 were 13,662 for police.

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Street Repair: Required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

Recreation and Parks: Accounts for the City's operation of recreation programs and improvements to the City's two parks, Sellman and McDonald Commons. Revenues are derived from recreation fees.

Street Dance: Accounts for the annual Street Dance held in August by the Recreation and Parks Commission. Revenues are proceeds from the sale of beer at the function.

Police Trust: Receives proceeds from the sale of confiscated properties (vehicles, weapons, etc.) other than from drug cases. Disbursements may be made from the fund only to pay the costs of investigations, technical training, matching funds for federal grants or other appropriate law enforcement purposes.

Police Forfeitures: Receives proceeds from the sale of confiscated properties and equipment from drug related cases. Expenditures may only be made for drug enforcement programs.

DUI: Receives fines imposed upon DUI offenders. Under state law, disbursements may be made from this fund for law enforcement purposes related to informing the public of laws governing the operation of a motor vehicle while under the influence of alcohol, and other information relating to the operation of a motor vehicle and the consumption of alcoholic beverages.

Computer Fund: Receives fines for the operation and maintenance of the computer system for the police department.

Capital Projects Funds

Veteran's Memorial Fund: Accounts for collection of public donations for the construction of the Veteran's Memorial at McDonald Commons.

Stormwater: Accounts for expenditures made to repair and replace parts of the City's stormwater system.

Central Business District: Accounts for expenditures made for the repair and improvement of Madeira's central business district.

CI&R: Accounts for capital expenditures made for all general improvement projects not funded elsewhere.

CITY OF MADEIRA, OHIO

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004

	Special Revenue							Capital Projects					Total Nonmajor Governmental Funds	
	Street Repair	Recreation and Parks	Street Dance	Police Trust	Police Forfeitures	DUI	Computer Fund	Total	Vet Mem	Stormwater	Central Business District	Capital Improvement & Reserve		Total
ASSETS:														
Cash and Cash Equivalents	\$194,835	\$7,909	\$1,020	\$1,811	\$2,414	\$3,670	\$375	\$212,034	\$12,528	\$9,511	\$8,649	\$49,125	\$79,813	\$291,847
Receivables Net of Allowance for Uncollectible Accounts:														
Intergovernmental Receivable	197,534	0	0	0	0	0	0	197,534	0	0	0	0	0	197,534
Accounts Receivable	630	1,755	0	0	0	0	0	2,385	0	0	0	0	0	2,385
Total Assets	\$392,999	\$9,664	\$1,020	\$1,811	\$2,414	\$3,670	\$375	\$411,953	\$12,528	\$9,511	\$8,649	\$49,125	\$79,813	\$491,766
LIABILITIES														
Accounts Payable	2,649	4,394	0	0	0	0	0	7,043	0	0	572	0	572	7,615
Deferred Revenue	135,912	0	0	0	0	0	0	135,912	0	0	0	0	0	135,912
Total Liabilities	138,561	4,394	0	0	0	0	0	142,955	0	0	572	0	572	143,527
FUND BALANCES														
Unreserved and Undesignated	254,438	5,270	1,020	1,811	2,414	3,670	375	268,998	12,528	9,511	8,077	49,125	79,241	348,239
Total Fund Balances	254,438	5,270	1,020	1,811	2,414	3,670	375	268,998	12,528	9,511	8,077	49,125	79,241	348,239
Total liabilities and fund balances	\$392,999	\$9,664	\$1,020	\$1,811	\$2,414	\$3,670	\$375	\$411,953	\$12,528	\$9,511	\$8,649	\$49,125	\$79,813	\$491,766

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Special Revenue							Capital Projects					Total Nonmajor Governmental Funds	
	Street Repair	Recreation and Parks	Street Dance	Police Trust	Police Forfeitures	DUI	Computer Fund	Total	Veteran's Memorial	Stormwater	CBD	CISR		Total
REVENUES														
Intergovernmental Revenue	\$390,932	\$0	\$0	\$0	\$0	\$0	\$0	\$390,932	\$0	\$0	\$0	\$0	\$0	\$390,932
Charges for Services	3,480	13,378	2,567	0	0	0	0	19,425	0	0	0	0	0	19,425
Investment Earnings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fines & Forfeitures	0	0	0	0	388	559	375	1,322	0	0	0	0	0	1,322
All Other Revenues	0	0	0	0	0	0	0	0	12,890	0	77	0	12,967	12,967
TOTAL REVENUES	394,412	13,378	2,567	0	388	559	375	411,679	12,890	0	77	0	12,967	424,646
EXPENDITURES														
Current														
Public Safety	0	0	0	0	2,085	4,944	0	7,029	0	0	0	0	0	7,029
Recreation	0	12,797	8,238	0	0	0	0	21,035	0	0	0	0	0	21,035
Transportation	275,309	0	0	0	0	0	0	275,309	0	0	0	0	0	275,309
Community Environment	0	0	0	0	0	0	0	0	0	0	6,246	0	6,246	6,246
Capital Improvements	0	0	0	0	0	0	0	0	362	23,031	0	0	23,393	23,393
General Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	275,309	12,797	8,238	0	2,085	4,944	0	303,373	362	23,031	6,246	0	29,639	333,012
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	119,103	581	(5,671)	0	(1,697)	(4,385)	375	108,306	12,528	(23,031)	(6,169)	0	(16,672)	91,634
OTHER FINANCING SOURCES/(USES)														
Transfers In	0	0	5,500	0	0	0	0	5,500	0	20,000	0	0	20,000	25,500
Transfers Out	(40,000)	0	0	0	0	0	0	(40,000)	0	0	0	0	0	(40,000)
TOTAL OTHER FINANCING SOURCES/(USES)	(40,000)	0	5,500	0	0	0	0	(34,500)	0	20,000	0	0	20,000	(14,500)
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	79,103	581	(171)	0	(1,697)	(4,385)	375	73,806	12,528	(3,031)	(6,169)	0	3,328	77,134
Fund Balance - Beginning	175,335	4,689	1,191	1,811	4,111	8,055	0	195,192	0	12,542	14,246	49,125	75,913	271,105
Fund Balance - Ending	\$254,438	\$5,270	\$1,020	\$1,811	\$2,414	\$3,670	\$375	268,998	\$12,528	\$9,511	\$8,077	\$49,125	79,241	348,239

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MADEIRA, OHIO

Debt Service Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Taxes	\$94,600	\$94,600	\$98,837	\$4,237
Intergovernmental Revenue	11,500	11,500	13,404	1,904
TOTAL REVENUES	106,100	106,100	112,241	6,141
EXPENDITURES				
Current:				
General Government	1,300	1,400	1,351	49
Debt Service				
Principal Retirement	215,000	215,000	215,000	0
Interest and				
Fiscal Charges	78,533	78,533	78,533	0
TOTAL EXPENDITURES	294,833	294,933	294,884	49
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(188,733)	(188,833)	(182,643)	6,190
OTHER FINANCING SOURCES/(USES)				
Transfers In	185,000	185,000	167,836	(17,164)
TOTAL OTHER FINANCING SOURCES/(USES)	185,000	185,000	167,836	(17,164)
Excess/(Deficiency) of Revenues and Financing Sources Over Expenditures and Other Uses	(3,733)	(3,833)	(14,807)	(10,974)
Fund Balance - Beginning	3,661	16,382	16,382	0
Fund Balance - Ending	(\$72)	\$12,549	\$1,575	(\$10,974)

CITY OF MADEIRA, OHIO

Street Repair Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$328,000	\$396,000	\$390,932	(\$5,068)
Charges for Services	0	0	3,480	3,480
Investment Earnings	0	0	0	0
Fines & Forfeitures	0	0	0	0
All Other Revenues	0	0	0	0
TOTAL REVENUES	328,000	396,000	394,412	(1,588)
EXPENDITURES				
Current				
Security of Persons and Property	0	0	0	0
Leisure Time Activity	0	0	0	0
Transportation	289,500	309,500	275,309	34,191
General Government	0	0	0	0
TOTAL EXPENDITURES	289,500	309,500	275,309	34,191
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	38,500	86,500	119,103	32,603
OTHER FINANCING SOURCES/(USES)				
Transfers Out	(40,000)	(40,000)	(40,000)	0
TOTAL OTHER FINANCING SOURCES/(USES)	(40,000)	(40,000)	(40,000)	0
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	(1,500)	46,500	79,103	32,603
Fund Balance - Beginning	175,335	175,335	175,335	0
Fund Balance - Ending	\$173,835	\$221,835	\$254,438	\$32,603

CITY OF MADEIRA, OHIO

Recreation & Parks Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
Charges for Services	11,000	11,000	13,378	2,378
Investment Earnings	0	0	0	0
Fines & Forfeitures	0	0	0	0
All Other Revenues	0	0	0	0
TOTAL REVENUES	11,000	11,000	13,378	2,378
EXPENDITURES				
Current				
Security of Persons and Property	0	0	0	0
Leisure Time Activity	11,000	14,000	12,797	1,203
Transportation	0	0	0	0
General Government	0	0	0	0
TOTAL EXPENDITURES	11,000	14,000	12,797	1,203
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	0	(3,000)	581	3,581
OTHER FINANCING SOURCES/(USES)				
Transfers In	41,000	1,000	0	(1,000)
TOTAL OTHER FINANCING SOURCES/(USES)	41,000	1,000	0	(1,000)
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	41,000	(2,000)	581	2,581
Fund Balance - Beginning	4,689	4,689	4,689	0
Fund Balance - Ending	\$45,689	\$2,689	\$5,270	\$2,581

CITY OF MADEIRA, OHIO

Street Dance Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
Charges for Services	2,500	2,500	2,567	67
Investment Earnings	0	0	0	0
Fines & Forfeitures	0	0	0	0
All Other Revenues	0	0	0	0
TOTAL REVENUES	2,500	2,500	2,567	67
EXPENDITURES				
Current				
Security of Persons and Property	0	0	0	0
Leisure Time Activity	8,000	8,500	8,238	262
Transportation	0	0	0	0
General Government	0	0	0	0
TOTAL EXPENDITURES	8,000	8,500	8,238	262
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(5,500)	(6,000)	(5,671)	329
OTHER FINANCING SOURCES/(USES)				
Transfers In	5,000	5,600	5,500	(100)
TOTAL OTHER FINANCING SOURCES/(USES)	5,000	5,600	5,500	(100)
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	(500)	(400)	(171)	229
Fund Balance - Beginning	1,191	1,191	1,191	0
Fund Balance - Ending	\$691	\$791	\$1,020	\$229

CITY OF MADEIRA, OHIO

Police Trust Fund Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	0
Investment Earnings	0	0	0	0
Fines & Forfeitures	1,000	1,000	0	(1,000)
All Other Revenues	0	0	0	0
TOTAL REVENUES	1,000	1,000	0	(1,000)
EXPENDITURES				
Current				
Security of Persons and Property	1,000	1,000	0	1,000
Leisure Time Activity	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
TOTAL EXPENDITURES	1,000	1,000	0	1,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	0	0	0	0
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	0	0	0	0
Fund Balance - Beginning	1,811	1,811	1,811	0
Fund Balance - Ending	\$1,811	\$1,811	\$1,811	\$0

CITY OF MADEIRA, OHIO

Police Forfeitures Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	0
Investment Earnings	0	0	0	0
Fines & Forfeitures	1,000	1,000	388	(612)
All Other Revenues	0	0	0	0
TOTAL REVENUES	1,000	1,000	388	(612)
EXPENDITURES				
Current				
Security of Persons and Property	1,000	2,500	2,085	415
Leisure Time Activity	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
TOTAL EXPENDITURES	1,000	2,500	2,085	415
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	0	(1,500)	(1,697)	(197)
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	0	(1,500)	(1,697)	(197)
Fund Balance - Beginning	4,111	4,111	4,111	0
Fund Balance - Ending	\$4,111	\$2,611	\$2,414	(\$197)

CITY OF MADEIRA, OHIO

DUI Special Revenue Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	0
Investment Earnings	0	0	0	0
Fines & Forfeitures	1,000	1,000	559	(441)
All Other Revenues	0	0	0	0
TOTAL REVENUES	1,000	1,000	559	(441)
EXPENDITURES				
Current				
Security of Persons and Property	1,000	6,000	4,944	1,056
Leisure Time Activity	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
TOTAL EXPENDITURES	1,000	6,000	4,944	1,056
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	0	(5,000)	(4,385)	615
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	0	(5,000)	(4,385)	615
Fund Balance - Beginning	8,055	8,055	8,055	0
Fund Balance - Ending	\$8,055	\$3,055	\$3,670	\$615

CITY OF MADEIRA, OHIO

Computer Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	0
Investment Earnings	0	0	0	0
Fines & Forfeitures	0	2,000	375	(1,625)
All Other Revenues	0	0	0	0
TOTAL REVENUES	0	2,000	375	(1,625)
EXPENDITURES				
Current				
Security of Persons and Property	0	2,000	0	2,000
Leisure Time Activity	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
TOTAL EXPENDITURES	0	2,000	0	2,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	0	0	375	375
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	0	0	375	375
Fund Balance - Beginning	0	0	0	0
Fund Balance - Ending	\$0	\$0	\$375	\$375

CITY OF MADEIRA, OHIO

Veteran's Memorial Capital Project Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
All Other Revenues	0	11,000	12,890	1,890
TOTAL REVENUES	0	11,000	12,890	0
EXPENDITURES				
Current:				
Community Environment	0	0	0	0
Capital Improvements	0	6,000	362	5,638
TOTAL EXPENDITURES	0	6,000	362	5,638
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	0	5,000	12,528	(7,528)
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	0	5,000	12,528	7,528
Fund Balance - Beginning	0	0	0	0
Fund Balance - Ending	\$0	\$5,000	\$12,528	\$7,528

CITY OF MADEIRA, OHIO

Stormwater Capital Project Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
All Other Revenues	0	0	0	0
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
Current:				
Community Environment	0	0	0	0
Capital Improvements	20,000	25,000	23,031	1,969
TOTAL EXPENDITURES	20,000	25,000	23,031	0
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(20,000)	(25,000)	(23,031)	1,969
OTHER FINANCING SOURCES				
Transfers In	20,000	20,000	20,000	0
TOTAL OTHER FINANCING SOURCES	20,000	20,000	20,000	0
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	0	(5,000)	(3,031)	1,969
Fund Balance - Beginning	12,542	12,542	12,542	0
Fund Balance - Ending	\$12,542	\$7,542	\$9,511	\$1,969

CITY OF MADEIRA, OHIO

Central Business District Capital Project Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
All Other Revenues	0	0	77	77
TOTAL REVENUES	0	0	77	77
EXPENDITURES				
Current:				
Community Environment	3,000	7,200	6,246	954
Capital Improvements	0	0	0	0
TOTAL EXPENDITURES	3,000	7,200	6,246	954
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(3,000)	(7,200)	(6,169)	1,031
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	(3,000)	(7,200)	(6,169)	1,031
Fund Balance - Beginning	94,549	14,246	14,246	0
Fund Balance - Ending	\$91,549	\$7,046	\$8,077	\$1,031

CITY OF MADEIRA, OHIO

Capital Improvement & Reserve Capital Project Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Intergovernmental Revenue	\$0	\$0	\$0	\$0
All Other Revenues	0	0	0	0
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
Current:				
Community Environment	0	0	0	0
Capital Improvements	0	46,000	0	46,000
TOTAL EXPENDITURES	0	46,000	0	46,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	0	(46,000)	0	46,000
Excess/(Deficiency) of Revenues and Financing Sources Over/(Under) Expenditures and Other Uses	0	(46,000)	0	46,000
Fund Balance - Beginning	49,125	49,125	49,125	0
Fund Balance - Ending	\$49,125	\$3,125	\$49,125	\$46,000

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

CITY OF MADEIRA, OHIO

Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
December 31, 2004 and 2003

	2004	2003
Governmental funds capital assets:		
Land	\$645,000	\$645,000
Buildings	2,503,365	2,503,365
Furniture, Equipment and Software	487,543	480,406
Vehicles	475,419	471,584
Infrastructure	255,159	0
Total Governmental Funds Capital Assets	\$4,366,486	\$4,100,355
Investments in governmental funds capital assets by source:		
General fund	\$4,111,327	\$4,100,355
Special revenue fund	255,159	0
Total Governmental Funds Capital Assets	\$4,366,486	\$4,100,355

This schedule presents only the capital asset balances related to governmental funds.

CITY OF MADEIRA, OHIO

Capital Assets Used in the Operation of Governmental Funds
 Schedule By Function and Activity
 December 31, 2004

<u>By Function and Activity:</u>	<u>Land</u>	<u>Building & Land Improvements</u>	<u>Furniture, Equipment & Software</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
Public Safety	\$0	\$0	\$74,556	\$137,754	\$0	\$212,310
Transportation	0	202,900	63,918	335,800	255,159	857,777
Recreation	460,000	718,678	264,061	1,865	0	1,444,604
General Government	185,000	1,581,787	85,008	0	0	1,851,795
Total Governmental Funds Capital Assets	\$645,000	\$2,503,365	487,543	\$475,419	\$255,159	\$4,366,486

CITY OF MADEIRA, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended December 31, 2004**

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets 01/01/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Governmental Funds Capital Assets 12/31/04</u>
Public Safety	\$204,694	\$32,049	(\$24,433)	\$212,310
Transportation	599,262	289,676	(31,161)	857,777
Recreation	1,444,604	0	0	1,444,604
General Government	<u>1,851,795</u>	<u>0</u>	<u>0</u>	<u>1,851,795</u>
Total Governmental Funds Capital Assets	<u>\$4,100,355</u>	<u>\$321,725</u>	<u>(\$55,594)</u>	<u>\$4,366,486</u>

STATISTICAL SECTION

CITY OF MADEIRA, OHIO

Governmental Funds Expenses by Function
(Last Ten Fiscal Years)

<u>Year</u>	<u>Public Safety</u>	<u>Recreation</u>	<u>Community Environment</u>	<u>Transportation</u>	<u>Sanitation</u>	<u>General Government</u>	<u>Capital Outlay</u>	<u>Bond Issuance Costs</u>	<u>Debt Retirement</u>	<u>Interest & Fiscal Charges</u>	<u>Total</u>
1995	\$1,331,828	\$179,381	\$59,760	\$944,248	\$0	\$539,050	\$152,829	\$0	\$161,409	\$166,516	\$3,535,021
1996	1,441,376	173,799	172,720	1,363,810	0	578,185	0	0	195,350	161,491	4,086,731
1997	1,585,327	138,182	609,611	1,673,207	0	656,357	0	0	193,145	157,350	5,013,179
1998	1,641,502	352,574	393,412	1,358,019	0	664,676	0	0	187,813	141,049	4,739,045
1999	1,780,028	385,250	217,906	1,394,773	0	632,188	0	40,543	47,056	133,928	4,631,672
2000	1,915,127	267,643	140,401	1,327,555	0	693,370	188,500	0	185,000	108,535	4,826,131
2001	1,930,936	143,300	49,592	1,383,813	0	729,755	134,998	0	190,000	101,632	4,664,026
2002	2,146,004	145,453	128,920	1,472,638	0	828,094	650,978	0	200,000	94,368	5,666,455
2003	2,138,544	199,148	64,174	1,293,657	0	887,493	265,831	0	205,000	86,671	5,140,518
2004	2,274,701	133,933	103,255	937,064	360,059	801,346	23,393	0	215,000	78,533	4,927,284

Source: Treasurer's Office, City of Madeira, Ohio

CITY OF MADEIRA, OHIO

Governmental Funds Revenues by Source
(Last Ten Fiscal Years)

<u>Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- governmental Revenues</u>	<u>Charges for Services</u>	<u>Investment Earnings</u>	<u>Fines and Forfeitures</u>	<u>Other Revenues</u>	<u>Total</u>
1995	3,214,978	58,232	172,237	42,593	122,457	29,010	55,247	3,694,754
1996	3,332,124	46,223	216,307	48,310	127,397	35,828	59,567	3,865,756
1997	3,545,653	63,713	512,808	58,166	113,413	32,995	152,676	4,479,424
1998	3,880,700	96,778	290,595	69,654	88,750	37,120	488,541	4,952,138
1999	3,755,170	91,100	209,628	79,461	123,897	40,463	122,220	4,421,939
2000	2,876,356	42,141	2,124,951	81,120	146,716	59,140	174,011	5,504,435
2001	2,966,126	56,523	1,289,236	89,407	120,323	59,734	87,126	4,668,475
2002	3,108,302	55,012	1,476,324	63,573	51,002	48,905	123,736	4,926,854
2003	3,346,381	95,474	997,437	71,565	22,642	65,642	90,078	4,689,219
2004	3,318,809	138,871	1,107,955	82,816	20,928	58,424	216,028	4,943,831

Source: Treasurer's Office, City of Madeira, Ohio

CITY OF MADEIRA, OHIO

General Fund Expenditures by Function
(Last Ten Fiscal Years)

<u>Year</u>	<u>Public Safety</u>	<u>Recreation</u>	<u>Community Environment</u>	<u>Transportation</u>	<u>Sanitation</u>	<u>General Government</u>	<u>Debt Retirement</u>	<u>Interest & Fiscal Charges</u>	<u>Total</u>
1995	1,374,660	84,788	8,526	751,187	0	548,249	26,409	4,395	2,798,214
1996	1,437,220	95,639	19,181	770,620	0	576,983	55,350	8,751	2,963,744
1997	1,585,175	92,492	17,154	720,105	0	654,628	58,145	6,502	3,134,201
1998	1,636,990	140,229	19,661	738,078	0	649,021	52,813	3,464	3,240,256
1999	1,779,869	78,125	9,970	839,699	0	615,594	37,056	897	3,361,210
2000	1,913,927	98,731	16,806	920,558	0	680,279	0	0	3,630,301
2001	1,930,067	97,034	19,637	951,894	0	714,361	0	0	3,712,993
2002	2,145,082	112,969	24,623	886,230	0	811,542	0	0	3,980,446
2003	2,137,394	163,652	38,891	950,866	0	885,524	0	0	4,176,327
2004	2,267,672	112,898	97,009	661,755	360,059	799,995	0	0	4,299,388

Source: Treasurer's Office, City of Madeira, Ohio

CITY OF MADEIRA, OHIO

General Fund Revenues by Source (Last Ten Fiscal Years)

<u>Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- governmental Revenues</u>	<u>Charges for Services</u>	<u>Investment Earnings</u>	<u>Fines and Forfeitures</u>	<u>Other Revenues</u>	<u>Total</u>
1995	2,602,630	58,233	182,523	26,927	51,615	26,796	55,138	3,003,862
1996	2,955,502	46,223	173,317	35,092	66,709	30,401	57,622	3,364,866
1997	3,143,389	63,713	207,681	45,112	30,285	32,245	74,119	3,596,544
1998	3,482,731	96,778	215,890	41,706	38,891	36,255	105,321	4,017,572
1999	3,343,069	91,100	209,628	44,079	92,517	38,921	76,678	3,895,992
2000	2,787,080	42,141	1,591,624	46,395	122,535	56,370	60,065	4,706,210
2001	2,882,095	56,523	950,860	48,571	120,323	57,390	66,647	4,182,409
2002	3,019,423	55,012	892,464	51,095	51,002	47,024	115,192	4,231,212
2003	3,248,254	95,474	622,821	54,454	22,642	64,395	89,898	4,197,938
2004	3,219,972	138,871	703,619	63,391	20,928	57,102	203,061	4,406,944

Source: Treasurer's Office, City of Madeira, Ohio

CITY OF MADEIRA, OHIO

Property Tax Levies and Collection Real and Public Utility (Last Ten Fiscal Years)

<u>Tax Year/ Collection Year</u>	<u>Current Levy</u>	<u>Collection Including Delinquencies</u>	<u>Total Collections As Percent of Current Year</u>	<u>Accumulated Delinquency</u>
1994/1995	1,157,232	1,160,360	100.27%	34,340 (a)
1995/1996	1,173,097	1,169,884	99.73%	39,707
1996/1997	1,318,765	1,318,439	99.98%	37,914
1997/1998	1,324,589	1,316,182	99.37%	48,769
1998/1999	1,327,229	1,330,445	100.24%	50,487
1999/2000	1,562,538	1,557,263	99.66%	64,440
2000/2001	1,595,833	1,597,438	100.10%	44,811
2001/2002	1,624,168	1,625,522	100.08%	46,932
2002/2003	1,845,045	1,837,098	99.57%	57,875
2003/2004	1,860,170	1,883,118	101.23%	53,204

(a) In 1995 the Hamilton County Auditor revised its method of calculating delinquencies.

Source: Hamilton County Auditor
Hamilton County is responsible for billing and collecting
property taxes under Ohio law.

CITY OF MADEIRA, OHIO

Assessed and Estimated Actual Value of Real Property
(Last Ten Fiscal Years)

Tax Year/ Collection Year	Real Property		Personal Property Assessed Value	Public Utilities Assessed Value	Total Assessed Value
	Assessed Value	Estimated Actual Value (a)			
1994/1995	148,722,350	424,921,000	3,752,180	5,846,060	158,320,590
1995/1996	150,604,480	430,299,000	4,366,080	5,790,480	160,761,040
1996/1997	170,437,910	486,965,000	4,696,210	5,854,900	180,989,020
1997/1998	170,491,690	487,119,114	4,809,140	5,564,880	180,865,710
1998/1999	171,589,780	490,526,510	5,588,720	5,581,030	182,759,530
1999/2000	203,624,260	581,783,600	6,393,780	5,625,350	215,643,390
2000/2001	207,726,660	593,504,743	6,233,650	5,378,630	219,338,940
2001/2002	212,432,810	606,950,886	6,112,850	4,263,690	222,809,350
2002/2003	241,898,190	691,137,686	4,702,060	4,358,670	250,958,920
2003/2004	243,653,130	696,151,800	4,756,840	4,479,680	252,889,650

(a) Estimated actual value based on assessment level of 35%.

Source: Hamilton County Auditor

CITY OF MADEIRA, OHIO

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(Last Ten Fiscal Years)**

Tax Year/ Collection Year	City of Madeira	Madeira City School District	Hamilton County	Cincinnati City School District	Great Oaks Joint Vocational School District	Indian Hill City School District
1994/1995	7.50	68.97	18.30	48.58	2.70	44.63
1995/1996	7.50	68.97	18.30	53.52	2.70	44.58
1996/1997	7.50	72.13	19.44	53.19	2.70	44.48
1997/1998	7.50	72.13	19.01	53.13	2.70	44.51
1998/1999	7.50	72.13	19.54	53.13	2.70	42.92
1999/2000	7.50	71.71	20.83	51.94	2.70	42.92
2000/2001	7.50	80.22	19.92	56.93	2.70	47.10
2001/2002	7.50	80.04	21.47	57.15	2.70	47.10
2002/2003	7.50	79.47	21.87	56.25	2.70	47.10
2003/2004	7.50	79.47	21.51	60.75	2.70	46.70

Source: Hamilton County Auditor

CITY OF MADEIRA, OHIO

Principal Real Estate Taxpayers
December 31, 2004

<u>Real Estate Taxpayer</u>	<u>Assessed Valuation (a)</u>	<u>% of Total</u>
Kenwood Country Club	\$4,079,370	1.7%
Cinergy	3,388,250	1.4%
Kenwood Galleria Corp.	3,381,990	1.4%
Oviform Investment LLC	1,815,800	0.7%
Edgewood Investment Co.	1,511,690	0.6%
Burnett Square	1,328,780	0.5%
Steigler Realty	1,325,300	0.5%
Americana Health Care	1,015,010	0.4%
Anchor Highland Heights	910,000	0.4%
Camargo Manor Realty Co.	907,950	0.4%
Cincinnati Bell Telephone	829,070	0.3%
Park Place Partnership	743,860	0.3%
	<hr/>	<hr/>
Total	\$21,237,070	8.7%
All Other Assessed Properties	<u>222,416,060</u>	91.3%
Total Assessed Value as of 12/31/04	<u><u>\$243,653,130</u></u>	100.0%

(a) Property is assessed 35 percent of estimated actual value.

Source: Hamilton County Auditor
as of 12/04

CITY OF MADEIRA, OHIO

Computation of Legal Debt Margin
December 31, 2004

	<u>Debt Outstanding</u>	<u>Overall Debt Limitation 10.5% of Assessed Valuation</u>	<u>Un-Voted Debt Limitation 5.5% of Assessed Valuation</u>
Overall Debt Limitations		\$26,350,687	\$13,802,741
Gross Indebtedness	\$1,755,000		
Less: Bond Retirement Fund Balance	<u>(1,575)</u>		
Net Debt Within Limitations		<u>1,753,425</u>	<u>1,753,425</u>
Legal Debt Margin Within Limitations		<u>\$24,597,262</u>	<u>\$12,049,316</u>

Section 133.03, Revised Code, provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of percentage.

Source: Treasurer's Office, City of Madeira, Ohio

CITY OF MADEIRA, OHIO

**Ratio of Net General Bonded Debt to Assessed
Value and Net General Bonded Debt Per Capita
(Last Ten Fiscal Years)**

<u>Year</u>	<u>Population (a)</u>	<u>Assessed Value (b)</u>	<u>Gross General Bonded Debt (c)</u>	<u>Less Balance In General Obligation Bond Retirement Fund (c)</u>	<u>Net General Bonded Debt (c)</u>	<u>Ratio of Net Bonded Debt To Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1995	9,141	148,722,350	1,920,000	90,412	1,829,588	0.0123	200.15
1996	9,141	150,604,480	1,780,000	(3,113)	1,783,113	0.0118	195.07
1997	9,141	170,437,910	1,645,000	8,829	1,636,171	0.0096	178.99
1998	9,141	170,491,690	1,510,000	13,282	1,496,718	0.0088	163.74
1999	9,141	171,589,780	2,750,000	139,900	2,610,100	0.0152	285.54
2000	8,923	203,624,260	2,565,000	21,063	2,543,937	0.0125	285.10
2001	8,923	207,726,660	2,375,000	3,119	2,371,881	0.0114	265.82
2002	8,923	212,432,810	2,175,000	8,032	2,166,968	0.0102	242.85
2003	8,923	241,898,190	1,970,000	16,382	1,953,618	0.0081	218.94
2004	8,923	243,653,130	1,755,000	1,575	1,753,425	0.0072	196.51

(a) Source: Federal Census

(b) Source: Hamilton County Auditor

(c) Source: Treasurer's Office, City of Madeira, Ohio

CITY OF MADEIRA, OHIO

Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Fund Expenditures
(Last Ten Fiscal Years)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>General Fund Expenditures</u>	<u>Ratio of Debt Service to General Fund Expenditures</u>
1995	135,000	145,731	280,731	2,798,214	0.1003
1996	140,000	136,238	276,238	2,963,744	0.0932
1997	135,000	126,450	261,450	3,134,201	0.0834
1998	135,000	116,956	251,956	3,240,256	0.0778
1999	10,000	125,407	135,407	3,361,210	0.0403
2000	185,000	108,385	293,385	3,630,301	0.0808
2001	190,000	101,632	291,632	3,712,993	0.0785
2002	200,000	94,368	294,368	3,980,446	0.0740
2003	205,000	86,671	291,671	4,176,327	0.0698
2004	215,000	78,533	293,533	4,299,388	0.0683

Source: Treasurer's Office, City of Madeira, Ohio

CITY OF MADEIRA, OHIO

Computation of Direct and Overlapping Debt
 ▪ December 31, 2004

	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Madeira</u>	<u>Amount Applicable to City of Madeira</u>
Direct Debt			
City of Madeira	\$1,755,000	100.00%	\$1,755,000
Overlapping Debt			
Hamilton County	123,690,000	1.36%	1,682,184
Madeira City School District	31,368,023	98.07%	30,762,620
Cincinnati City School District	<u>731,550,000</u>	0.01%	<u>73,155</u>
Subtotal	<u>886,608,023</u>		<u>32,517,959</u>
TOTAL	<u><u>\$888,363,023</u></u>		<u><u>\$34,272,959</u></u>

Source: Ohio Municipal Advisory Council

CITY OF MADEIRA, OHIO

2000 U.S. Census Demographic Statistics

Population (2000)	8,923		
Per Capita Income (1989)	\$18,095		
Median Household Income (1989)	\$41,833	<u>Age Distribution (2000):</u>	
Median Family Income (1989)	\$48,614	Under 5 Years	542
Number of Housing Units (2000)	3,484	5 to 14 Years	1,379
Persons Per Household (2000)	3	15 to 19 Years	622
Land Area (1990)	3.4 Sq. Miles	20 to 24 Years	226
Persons Per Square Mile (2000)	2,624	25 to 44 Years	2,230
Family Income Distribution (1990):		45 to 54 Years	1,392
Less than \$50,000	85	55 to 59 Years	431
\$50,000-\$99,999	1,351	60 to 64 Years	372
\$100,000-\$149,999	873	65 to 74 Years	772
\$150,000-\$199,999	290	75 to 84 Years	707
\$200,000-\$299,999	140	85 Years and Over	250
\$300,000 or More	39	Median Age	41.6

Source: U.S. Census of Population and Housing

CITY OF MADEIRA, OHIO

Construction in Madeira (Last Ten Fiscal Years)

Year	Residential Construction		Commercial Construction	
	Number of Permits	Value	Number of Permits	Value
1995	411	4,546,372	47	1,659,726
1996	272	2,617,317	36	1,442,354
1997	274	3,271,230	38	2,784,255
1998	303	8,696,187	40	5,706,873
1999	271	7,058,757	57	7,636,090
2000	250	3,631,317	47	1,612,650
2001	264	6,511,502	33	1,353,816
2002	293	5,171,657	43	2,989,930
2003	290	5,824,790	48	2,164,605
2004	266	7,456,828	37	6,827,436

NA: Not available

Source: Treasurer's Office, City of Madeira, Ohio

CITY OF MADEIRA, OHIO

General Information December 31, 2004

Year of Incorporation	1910
Adopted Charter Form of Government	1959
Year Achieved City Status	1960
Form of Government	Council/Manager
Area	3.4 Square Miles
Miles of Streets	47
City Parks	Sellman and McDonald Commons
Residential Property Values	\$54,200 to \$900,000
Percent of Land Zoned for Business	15%
Full-Time Employees	23
Services Provided by Other Organizations/Agencies:	
Fire	Madeira/Indian Hill Joint Fire District
Library	Hamilton County Public Library
Recreational Facilities	Madeira Swim and Tennis Kenwood Hills Swim Club Kenwood Country Club
Sewer	Metropolitan Sewer District
Schools	Madeira Public Schools St. Gertrude Elementary School
Water	Indian Hill Cincinnati

Source: Treasurer's Office, City of Madeira, Ohio



**Auditor of State
Betty Montgomery**

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CITY OF MADERIA

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 29, 2005**