



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

City of Medina

King County

For the period January 1, 2013 through December 31, 2013

Published October 27, 2014

Report No. 1012821





Washington State Auditor
Troy Kelley

October 27, 2014

Council
City of Medina
Medina, Washington

Report on Financial Statements

Please find attached our report on the City of Medina's financial statements.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR

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**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**City of Medina
King County
January 1, 2013 through December 31, 2013**

Council
City of Medina
Medina, Washington

We have audited, 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, the financial statements of the City of Medina, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 25, 2014.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

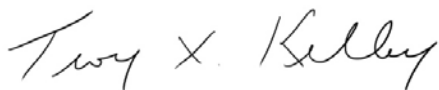
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

September 25, 2014

Independent Auditor's Report on Financial Statements

**City of Medina
King County
January 1, 2013 through December 31, 2013**

Council
City of Medina
Medina, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Medina, King County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Medina has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Medina, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Medina, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Liabilities is presented for purposes of additional analysis as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014 on our consideration of the City's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

September 25, 2014

Financial Section

**City of Medina
King County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	101 City Street Fund	103 Tree Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	145,911	76,694	0	0
30880	Beg Fund Bal-Unreserved	4,273,962	1,985,228	99,483	35,856
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,618,072	3,825,844	0	0
320	Licenses & Permits	987,153	987,153	0	0
330	Intergovernmental Revenues	406,728	58,228	190,536	0
340	Charges for Goods and Services	734,436	734,436	0	0
350	Fines & Penalties	44,458	44,458	0	0
360	Miscellaneous Revenues	59,857	56,720	0	0
Total Operating Revenues:		6,850,705	5,706,840	190,536	
Operating Expenditures					
510	General Government	1,382,290	1,382,290	0	0
520	Public Safety	2,387,909	2,387,909	0	0
530	Utilities	0	0	0	0
540	Transportation	342,542	0	342,542	0
550	Natural and Economic Environment	769,931	769,931	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	412,368	412,368	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		5,295,040	4,952,498	342,542	
Net Operating Increase (Decrease):		1,555,664	754,342	-152,006	0
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	72,613	39,113	0	33,500
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	310,000	0	110,000	0
Total Nonoperating Revenues:		382,613	39,113	110,000	33,500
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	585,754	119,365	10,348	0
597	Transfers-Out	310,000	0	0	0
Total Nonoperating Expenditures:		895,754	119,365	10,348	0
Increase (Decrease) in Cash and Investments		1,042,523	674,089	-52,354	33,500
Ending Cash and Investments					
50810	End Fund Bal-Reserved	372,097	76,694	0	0
50880	End Fund Balance-Unreserved	5,090,299	2,659,318	47,129	69,356

The accompanying notes are an integral part of this Statement.

BARS Code		302 Capital Reserve Fund	307 Capital Projects Fund
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	0	69,217
30880	Beg Fund Bal-Unreserved	2,076,380	77,015
38800/58800	Prior Period Adjustments, net	0	0
Operating Revenues			
310	Taxes	0	792,228
320	Licenses & Permits	0	0
330	Intergovernmental Revenues	0	157,964
340	Charges for Goods and Services	0	0
350	Fines & Penalties	0	0
360	Miscellaneous Revenues	2,222	915
Total Operating Revenues:		2,222	951,106
Operating Expenditures			
510	General Government	0	0
520	Public Safety	0	0
530	Utilities	0	0
540	Transportation	0	0
550	Natural and Economic Environment	0	0
560	Social Services	0	0
570	Culture And Recreation	0	0
598	Intergovernmental Payments	0	0
Total Operating Expenditures:			
Net Operating Increase (Decrease):		2,222	951,106
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	0	0
391-393	Debt Proceeds	0	0
397	Transfers-In	0	200,000
Total Nonoperating Revenues:			200,000
Nonoperating Expenditures			
580, 596, 599	Other Financing Uses	0	0
591-593	Debt Service	0	0
594-595	Capital Expenditures	0	456,041
597	Transfers-Out	200,000	110,000
Total Nonoperating Expenditures:		200,000	566,041
Increase (Decrease) in Cash and Investments		-197,778	585,065
Ending Cash and Investments			
50810	End Fund Bal-Reserved	0	295,404
50880	End Fund Balance-Unreserved	1,878,603	435,893

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	631 NonRevenue Trust Funds
308	Beginning Cash and Investments	118,783	118,783
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
380-390	Other Increases and Financing Sources	85,571	85,571
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	70,522	70,522
Increase (Decrease) in Cash and Investments		15,049	15,049
508	Ending Cash and Investments	133,831	133,831

The accompanying notes are an integral part of this Statement.

City of Medina
Notes to Financial Statements
For the Year Ended December 31, 2013

Note 1 - Summary of Significant Accounting Policies

The City of Medina reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Medina was incorporated on August 19, 1955 and operates under the laws of the state of Washington applicable to a Code City operating under the Council/Manager form of government. The City of Medina is a general purpose government and provides public safety, street improvements and maintenance, parks, storm water systems and general administration services. The City of Medina uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles

A. A. FUND ACCOUNTING

The accounts of the City of Medina are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Medina's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Medina:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the City of Medina. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City of Medina.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Medina in a trustee capacity or as an agent on behalf of others.

Agency Funds

These funds are used to account assets that the City of Medina holds for others in an agency capacity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the City of Medina also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

The City of Medina adopts annual appropriated budgets for all funds except agency funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund Expenditures	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	\$ 5,356,384	\$ 5,071,863	\$ 284,521
Street Fund:	\$ 391,620	\$ 352,889	\$ 38,731
Capital Reserve Fund:	\$ 200,000	\$ 200,000	\$ 0
Tree Fund:	\$ 0	\$ 0	\$ 0
Capital Projects Fund:	\$ 1,238,045	\$ 566,041	\$ 672,004
Total All Funds:	\$ 7,186,049	\$ 6,190,794	\$ 995,255

Budgeted amounts are authorized to be transferred between departments within any fund, or within department object classes; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Medina City Council.

D. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is less than \$10,000 (less than 1%) and is prorated to the various funds.

E. Deposits

The City of Medina deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 3.

H. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capital assets of the City of Medina are recorded as expenditures when purchased.

I. Compensated Absences

Vacation leave may be accumulated up to 300 hours and is payable upon separation or retirement.

The Police Officer's and the Public Work's Labor Agreements allow sick leave to be accumulated up to 960 hours. Upon separation or retirement, employees in good standing with a minimum of ten years continuous service shall be reimbursed up to a maximum of 180 hours.

The Clerical Union Labor Agreement allows for 720 hours of accumulated sick leave. Upon separation or retirement, employees in good standing with a minimum of ten years continuous service shall be reimbursed up to a maximum of 180 hours.

Upon separation or retirement employees who have a minimum of ten years continuous service receive payment for a portion of unused sick leave.

K. Other Financing Sources or Uses

The City of Medina's *Other Financing Sources* or *Uses* consist of Transfers-in and Transfers-out between City Funds.

L. Risk Management

The city of Medina is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and

insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

M. Reserved Fund Balance

Reserved Fund Balances in 2013 were attributed to: \$76,694 in Restricted General Fund Revenue for the 2009 Revenue associated with the proceeds from the sale of Jail Property (JAG Inter-local Agreement) which restricts the use of the funds under the Inter-local Agreement; \$295,404 in Restricted Capital Fund Revenue for Real Estate Excise Tax (REET), which restricts the use of the funds per RCW 82.46.010 and RCW 82.46.035; and \$133,831 in Restricted Trust/Agency Fund Balances.

Note 2 - Investments

The City of Medina's investments are either insured, registered or held by the City or its agent in the City's name.

Investments are presented at cost value.

Investments by type at December 31, 2013 are as follows:

Type of Investment

State of Washington,

Local Government Investment Pool: \$4,766,829

Note 3 - Property Tax

The King County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections were distributed at the end of each month.

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City of Medina’s regular levy for 2013 was \$1.09 per \$1,000 on an assessed valuation of \$2,277,271,383 for a total regular levy of \$2,482,185.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Medina and summarizes the City of Medina’s debt transactions for year ended December 31, 2013.

The City of Medina does not have debt service requirements for general obligation bonds or revenue bonds. The debt service requirements for Compensated Absences Liability are as follows:

	<u>General Obligation Debt</u>	<u>Revenue Debt</u>	<u>Other Debt</u>	<u>Total Debt</u>
2013	\$ -0-	\$ -0-	\$ 200,345	\$200,345
TOTALS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 200,345</u>	<u>\$200,345</u>

Note 5- Pension Plans

Substantially all of the City of Medina’s full-time and qualifying part-time employees participate in the Public Employee’s Retirement System (PERS) or Law Enforcement Officer’s Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Medina’s financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 PO Box 48380
 Olympia, WA 98504-8380

Note 6 - Other Disclosures

Compliance:

There have been no material violations of finance related legal or contractual provisions.
 There have been no expenditures exceeding legal appropriations in any of the funds of the City of Medina.

Post-Employment Benefits:

In accordance with State Law, the City is responsible for health care costs of retired LEOFF 1 Employees. For our two remaining LEOFF 1 retirees, the City maintains medical insurance at a cost of \$30,910 for 2013. In addition, the City has opted for a supplemental extended care policy for two LEOFF 1 individuals at a cost of \$1,660, bringing the total LEOFF 1 Post-Employment Benefits to \$32,570 during 2013.

Subsequent Events:

The City of Medina received a wrongful termination claim in 2011 in the amount of \$14M related to the termination of the former Police Chief. A “Complaint for Damages and Injunctive Relief” lawsuit was subsequently filed against the City on December 16, 2011 by the former Police Chief related to the wrongful termination claim. In March 2013, a plaintiff’s verdict was reached in federal district court. On August 23, 2013, the Federal District Court Judge who presided over the trial ordered a new trial primarily because of the insufficiency of evidence necessary to prove the claims and misconduct by the plaintiff’s counsel during trial. A new trial was held starting August 11, 2014 and concluded on August 21, 2014. The jury returned a verdict in favor of the Defendants City of Medina and Donna Hanson. The former Police Chief is within the appeal period. The City’s insurance carrier, WCIA, is handling defense of this matter.

In August 2011, two Public Records Act lawsuits were filed by a former Councilmember and the former Police Chief against the City of Medina. The City ultimately prevailed in both lawsuits as summarized herein. On April 26, 2012, the Court entered amended filings of fact and conclusions of law in favor of the City in the former Police Chief’s public records lawsuit, and a judgment was entered in favor of the City on September 10, 2012. The former Police Chief appealed, and on February 10, 2014, Division One of the Court of the Appeals affirmed the trial court’s ruling in the City’s favor. On May 10, 2013, summary judgment was granted in the former Councilmember’s lawsuit in favor of the City of Medina.

On February 8, 2006, Roger Skinner was terminated from a position in the Medina Police Department. The Civil Service Commission upheld the termination on September 1, 2006. After multiple appeals, the Commission’s decision was set aside. On remand, the Commission conducted a new hearing and entered new Findings, Conclusions and Order on December 21, 2012, reinstating Skinner and ordering certain remedies. The Commission has retained jurisdiction to address the remedy phase of this proceeding. The remedy phase will extend into the summer. The City appealed the Order by filing an Application for Writ of Review with the King County Superior Court. By Memorandum Opinion dated July 25, 2013 and entered on October 1, 2013, King County Superior Court Presiding Judge Craighead granted the City’s Application for Writ of Review and ordered that the portion of the CSC decision awarding back pay and benefits exceeded CSC power and modified the Decision to remove that portion of the remedy; Mr. Skinner appealed the trial court’s ruling, which is now pending in Division One of the Court of Appeals. In addition, Mr. Skinner filed a Charge of Discrimination and Retaliation under the ADA, dated August 2, 2013 with the EEOC. On June 23, 2014, the EEOC dismissed the Charge upon a determination that it was unable to establish violations of the statutes. On June 24, 2014, Mr. Skinner filed a second Charge of Discrimination with the EEOC, alleging that his separation from City employment was retaliation for his first EEOC filing. The matter is under EEOC review, and the City’s response is due on September 22, 2014.

MCAG NO. 0411

City of Medina

Schedule 09

Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	259.11	Gen. Fund Compensated Absences	12/31/2013	184,508	149,051	155,249	178,311
	259.11	Street Fund Compensated Absences	12/31/2013	20,535	15,146	13,647	22,034
		Total General Obligations:		205,043	164,197	168,895	200,345
		Total Liabilities:		205,043	164,197	168,895	200,345

The accompanying notes to the financial statements are an integral part of this schedule

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov