



Mary Taylor, CPA
Auditor of State

**CITY OF MACEDONIA
SUMMIT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, Ohio (the City), as of and for the year ended December 31, 2009, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, Ohio, as of December 31, 2009, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Family Recreation Center, and the Street, Maintenance and Repair Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 21, the previously-issued financial statements have been restated. You should not rely on auditor's report dated July 30, 2010 because the previously-issued financial statements omitted the on behalf monies received from the Ohio Department of Transportation for the Highway Planning and Construction Program reported in State Route 82 Widening Phase II and Phase III fund and as part of Governmental Activities. The previously-issued auditors' report is replaced by the auditors' report on the restated financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 30, 2010, except for the restatement described above for which the date is November 8, 2010

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

The management's discussion and analysis of the City of Macedonia's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are:

- City income tax revenue totaled \$6,220,408. This is a decrease of \$1,885,892 or 23.26 percent from 2008.
- Total assets decreased by \$544,980, a 0.95 percent decrease from 2008.
- Total net assets decreased by \$84,433, a 0.23 percent decrease from 2008.
- Total capital assets, net of depreciation increased \$1,760,156, a 3.92 percent increase from 2008.
- Total outstanding long-term liabilities decreased \$444,351, a 2.19 percent decrease from 2008.
- The total governmental fund balances for the City decreased from \$3,820,170 to \$1,896,906. The general fund ended the year with a fund balance of \$1,430,267.

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Macedonia as a financial whole or as an entire operating entity. The statements provide an increasingly detailed look at our specific financial condition.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Macedonia as a Whole

Statement of Net Assets and Statement of Activities

This document contains information about the funds used by the City to provide services to our citizens. The *statement of net assets* and the *statement of activities* answer the question, "How did the City do financially during 2009?" These statements include all assets and liabilities, except fiduciary funds, using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

These two statements report the City's net assets and the changes in those assets. The changes in net assets are important because it tells the reader whether the financial position of the City as a whole has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

The *statement of net assets* and the *statement of activities* are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Revenue and Expenses
- General Revenues
- Net Assets Beginning of Year and Year's End

Reporting the City of Macedonia's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds to account for the services, facilities and infrastructure provided to its residents. These fund financial statements focus on the City's most significant funds. In the case of the City of Macedonia, the major funds are the general fund; the family recreation center fund; the street construction, maintenance and repair fund; the special assessments bond retirement fund; and the south freeway drive fund.

Governmental Funds

Most of the City's activities are reported in the governmental funds. Governmental funds are reported using an accounting method called modified accrual accounting. The modified accrual accounting method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the *statement of net assets* and the *statement of activities*) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The City uses fiduciary funds to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

The City of Macedonia as a Whole

The *statement of net assets* looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008.

TABLE 1
NET ASSETS

	Governmental Activities		
	2009	2008	Change
Current and Other Assets	\$ 10,292,115	\$ 12,597,251	\$ (2,305,136)
Capital Assets, Net	46,665,993	44,905,837	1,760,156
<i>Total Assets</i>	<u>56,958,108</u>	<u>57,503,088</u>	<u>(544,980)</u>
Current and Other Liabilities	4,824,563	4,840,759	(16,196)
Long-Term Liabilities:			
Due Within One Year	1,733,740	1,571,514	162,226
Due in More Than One Year	13,296,736	13,903,313	(606,577)
<i>Total Liabilities</i>	<u>19,855,039</u>	<u>20,315,586</u>	<u>(460,547)</u>
Invested in Capital Assets, Net of Related Debt	30,306,767	28,853,010	1,453,757
Restricted for:			
Capital Projects	58,864	406,217	(347,353)
Debt Service	1,432,026	1,608,082	(176,056)
Street Construction and Maintenance	499,744	478,008	21,736
Recreation Services and Programs	1,419,901	1,753,626	(333,725)
Police Services and Programs	57,565	51,791	5,774
Fire Services	176,505	52,148	124,357
Other Purposes	304,026	261,803	42,223
Unrestricted	2,847,671	3,722,817	(875,146)
<i>Total Net Assets</i>	<u>\$ 37,103,069</u>	<u>\$ 37,187,502</u>	<u>\$ (84,433)</u>

The largest portion of the City's net assets (81.93 percent) is investments in capital assets (e.g. land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets decreased by \$544,980, from 2008 to 2009. The City's total liabilities decreased \$460,547, for the same period. The most significant change in assets was the decrease in current and other assets of over \$2.3 million. Net capital assets increased because the City continued the State Route 82 Widening project which included \$2,503,371 in construction-in-progress.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Table 2 shows the changes in net assets for the years ended December 31, 2009 and 2008.

TABLE 2
CHANGES IN NET ASSETS

	Governmental Activities		Change
	2009	2008	
Revenues			
Program Revenues:			
Charges for Services	\$ 2,336,272	\$ 2,413,790	\$ (77,518)
Operating Grants and Contributions	964,300	886,088	78,212
Capital Grants and Contributions	1,233,481	38,997	1,194,484
<i>Total Program Revenues</i>	<u>4,534,053</u>	<u>3,338,875</u>	<u>1,195,178</u>
General Revenues:			
Property Taxes	2,236,740	1,659,513	577,227
Municipal Income Taxes	6,220,408	8,106,300	(1,885,892)
Grants and Entitlements, not restricted	1,079,045	1,346,850	(267,805)
Interest	73,061	178,001	(104,940)
Miscellaneous	50,880	105,694	(54,814)
<i>Total General Revenues</i>	<u>9,660,134</u>	<u>11,396,358</u>	<u>(1,736,224)</u>
<i>Total Revenues</i>	<u>14,194,187</u>	<u>14,735,233</u>	<u>(541,046)</u>
Program Expenses			
General Government	2,508,657	2,703,531	(194,874)
Security of Persons and Property	5,383,911	5,527,270	(143,359)
Public Health Services	212,896	201,917	10,979
Transportation	2,791,687	2,844,256	(52,569)
Community Environment	452,609	483,557	(30,948)
Basic Utility Services	563,984	660,325	(96,341)
Leisure Time Activities	1,790,080	1,778,593	11,487
Interest and Fiscal Charges	574,796	487,764	87,032
<i>Total Program Expenses</i>	<u>14,278,620</u>	<u>14,687,213</u>	<u>(408,593)</u>
Change in Net Assets	(84,433)	48,020	(132,453)
Net Assets Beginning of Year	<u>37,187,502</u>	<u>37,139,482</u>	<u>48,020</u>
Net Assets End of Year	<u>\$ 37,103,069</u>	<u>\$ 37,187,502</u>	<u>\$ (84,433)</u>

Governmental Activities

The City's net assets for governmental activities decreased \$84,433 during 2009. Table 2 indicates total revenues decreased by \$541,046 or 3.67 percent. At the same time program expenses decreased by \$408,593 or 2.78 percent.

Several types of revenues fund our governmental activities, with the City income tax as the largest revenue source for the City. The income tax rate was 2.0 percent for 2009, the same as the prior year. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

Total program revenues for 2009 increased by \$1,195,178. Operating grants and contributions increased \$78,212, capital grants and contributions increased \$1,194,484 and charges for services decreased \$77,518.

City of Macedonia, Ohio
Management's Discussion and Analysis
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(Unaudited)

Total general revenues for 2009 decreased by \$1,736,224 compared to 2008. This decrease is due to the decrease in income tax revenue for 2009 of \$1,885,892 or 23.26 percent from 2008. The income tax revenues for 2009 were \$6,220,408. Of the \$14,194,187 in total revenues, income tax accounts for 43.82 percent of the total governmental revenues. Property taxes for 2009 were \$2,236,740.

General revenues from grants and entitlements, such as local government funds, are also revenue generators. General revenues from grants and entitlements decreased \$267,805.

During 2009, the City experienced a 2.78 percent decrease in its program expenses. The largest program function for the City normally relates to security of persons and property which include police and fire services. Security of persons and property expenses decreased 2.59 percent in 2009 primarily due to a decrease in wages and benefits. General government expenses which account for the basic operations of the City including council, mayor, finance, law, purchasing, civil service, engineering, and building maintenance among other departments and services, had expenses of \$2,508,657 for 2009.

The City's Funds

The City of Macedonia uses fund accounting as mandated by governmental legal requirements. The importance of accounting and reporting using this method is to demonstrate compliance with these finance related requirements.

Governmental Funds

These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,532,475 and expenditures of \$17,541,696. Income tax is the City's largest revenue source.

The largest fund for the City is the general fund. The year-end fund balance for the general fund was \$1,430,267 on a modified accrual basis. This is a decrease of \$201,035 from the 2008 ending balance.

The family recreation center fund ended the year with a fund balance of \$1,282,467. The \$329,178 decrease is due to the increase in expenditures due to debt principal and interest payment related to the center.

The street construction, maintenance and repair fund ended the year with a fund balance of \$216,988. This is up \$64,493 due to increased transfers from the general fund.

The special assessments bond retirement fund ended the year with a fund balance of \$24,878. This is up \$15,957 from the year-end balance in 2008.

The south freeway drive fund ended the year with a fund deficit balance of \$1,270,101. This is up \$1,232,104 from the year-end deficit balance in 2008.

The State route 82, widening phase II and III fund ended the year with a fund balance of \$13,399. This is down \$38,431 from the year-end balance in 2008.

For all governmental funds, the end of year balances decreased \$1,923,264 from \$3,820,170 in 2008 to \$1,896,906 in 2009. The available fund balance for all funds is 10.81 percent of the amount spent in total in 2009.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. Recommendations and requests for budget changes are referred to the Finance Committee before going to the formal Council meeting for ordinance enactment on the change. The Finance Director provides the administration and City Council with monthly reports on revenues and expenditures. This provides all parties with information on revenue and expenditure levels, trends, budgeted versus actual amounts and recommendations on any changes in policy or execution that may be required.

The general fund supports most of the City's major activities such as the police, fire, building, and service departments as well as the legislative and most executive activities. For the general fund, the original budgeted revenues and other financing sources were \$11,358,148 and the final budgeted revenues and other financing sources were \$10,374,152. Actual revenues of \$10,121,199 were \$252,953 less than the final amended budget, due to the City receiving less in property taxes, charges for services, and fines, licenses and permits than anticipated.

The original budget estimated expenditures and other financing uses were \$11,369,607. The final budgeted expenditures and other financing uses of \$10,586,273 were decreased from the original appropriation due to the departments fewer expenditures. Actual expenditures and other financing uses were \$10,380,801. Expenditures were \$205,472 or 1.94 percent less than the final budget.

Capital Assets and Long-Term Obligations

Capital Assets

Table 3
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	\$7,150,851	\$6,382,753
Construction in Progress	3,950,535	1,447,164
Buildings and Improvements	9,632,470	9,879,679
Machinery and Equipment	1,157,180	1,044,956
Furniture and Fixtures	5,734	6,578
Vehicles	1,732,542	1,947,617
Infrastructure		
Roads	9,422,219	10,197,504
Water Mains	4,507,357	4,628,140
Storm Sewers	8,761,695	8,994,962
Traffic Signals	155,583	182,125
Bridges	189,827	194,359
<i>Totals</i>	\$46,665,993	\$44,905,837

Total capital assets, net of depreciation for governmental activities of the City for 2009 were \$46,665,993, a \$1,760,156 increase from 2008. The increase is primarily due to \$2,503,371 in additions to construction in progress. The increase was then offset by current year depreciation of approximately \$1,794,152. See note 10 of the basic financial statements for additional information on capital assets.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Long-Term Obligations

On December 31, 2009, the City of Macedonia had \$6,813,847 in general obligation bonds, \$1,599,800 in special assessment bonds, \$150,000 in long-term notes, \$5,102,129 in state infrastructure bank loans, \$594,087 in OPWC loans and \$151,363 in capital leases outstanding.

Table 4
Outstanding Long-Term Obligations at End of Year

	Governmental	
	2009	2008
General Obligation Bonds	\$ 6,813,847	\$ 7,677,968
Special Assessment Bonds	1,599,800	1,688,400
Long-Term Notes	150,000	200,000
State Infrastructure Bank Loans	5,102,129	4,543,029
OPWC Loan	594,087	611,061
Capital Leases	151,363	164,430
Compensated Absences Payable	619,250	589,939
Totals	\$ 15,030,476	\$ 15,474,827

The City has issued general obligation bonds for various purposes and for the Recreation Center and City Hall/Safety Center. There is \$6,813,847 outstanding on the bonds. The special assessment bonds are for street construction on Highland Road and North Freeway Drive. The OPWC loan is for the North Freeway Drive project and is also being paid by special assessments. The long-term notes were for various street improvements.

The State Infrastructure Bank loans are for the Highland Road Grade Separation and for State Route 82.

The capital leases were for a rescue vehicle, two snow plows, a tractor, two trucks and three copiers.

See notes 14 through 16 of the basic financial statements for additional information on debt.

Current Financial Related Activities

The Administration and City Council have committed the City to financial excellence and work hard at keeping the City's debt obligations at a minimum. Outstanding debt is well below the City's debt capacity. The City is paying off older debt on schedule in anticipation of future debt service requirements for the State Route 82 widening project.

The Administration and City Council are responding to the reduction in city income tax collections experienced from the current economic slowdown which began in fiscal year 2009 with budgetary prudence including the delaying of capital outlay for equipment and road improvements, the only exception being capital projects currently in process with established funding in place such as grants and or borrowing.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

The budget for fiscal year 2010 has been reduced by approximately \$1,000,000 which includes layoffs of full-time and part-time employees. The Administration and City Council are currently considering options available to increase revenues including the renewal of a 5.07 mill operating property tax levy with an effective rate of approximately 1.07 mills which expires in 2010. Other options under consideration include an increase in the income tax rate, currently at 2.0%, or the reduction of the income tax credit allowance, currently 100%, for taxpayers residing within the City whose employment is not within the City.

Regional Cooperation

The City continues to partner with Northfield Center Township through a Joint Economic Development District. Over the last several years, the District has developed significantly and is now providing nearly 1.7 percent of the City's total general fund revenue. The City's relationship with Northfield Center Township brought both communities together in support of an Economic, Fiscal and Environmental Impact Report for the State Route 8 Corridor that includes significant acreage in both communities.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need additional financial information contact the Finance Department, 9691 Valley View Road, Macedonia, Ohio 44056, telephone (330) 468-8351 or the City website at www.Macedonia.oh.us.

**BASIC
FINANCIAL STATEMENTS**

City of Macedonia, Ohio

Statement of Net Assets

December 31, 2009

	Governmental Activities
Assets	
Equity in pooled cash and cash equivalents	\$ 3,441,073
Materials and supplies inventory	92,659
Accrued interest	19,189
Accounts receivable	104,670
Intergovernmental receivable	728,117
Prepaid items	36,719
Municipal income taxes receivable	1,925,070
Property taxes receivable	2,135,367
Special assessments receivable	1,794,852
Deferred charges	14,399
Nondepreciable capital assets	11,101,386
Depreciable capital assets, net	35,564,607
 Total assets	 56,958,108
Liabilities	
Accounts payable	194,572
Contracts payable	146,961
Accrued wages and benefits	299,382
Intergovernmental payable	354,562
Unearned revenue	1,933,574
Accrued interest payable	87,512
Notes payable	1,808,000
Long-term liabilities:	
Due within one year	1,733,740
Due in more than one year	13,296,736
 Total liabilities	 19,855,039
Net Assets	
Invested in capital assets, net of related debt	30,306,767
Restricted for:	
Capital projects	58,864
Debt service	1,432,026
Street construction and maintenance	499,744
Recreation services and programs	1,419,901
Police services and programs	57,565
Fire services	176,505
Other purposes	304,026
Unrestricted (deficit)	2,847,671
 Total net assets	 \$ 37,103,069

See accompanying notes to the basic financial statements

City of Macedonia, Ohio
Statement of Activities
For the Year Ended December 31, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities					
General government.	\$ 2,508,657	\$ 529,916	\$ 234	\$ -	\$ (1,978,507)
Security of persons and property. . .	5,383,911	472,074	155,161	-	(4,756,676)
Public health services.	212,896	-	-	-	(212,896)
Transportation.	2,791,687	240	807,415	1,233,481	(750,551)
Community environment.	452,609	275,698	-	-	(176,911)
Basic utility services.	563,984	85,248	-	-	(478,736)
Leisure time activities.	1,790,080	973,096	1,490	-	(815,494)
Interest and fiscal charges.	574,796	-	-	-	(574,796)
Total governmental activities. . . .	\$ 14,278,620	\$ 2,336,272	\$ 964,300	\$ 1,233,481	\$ (9,744,567)
General revenues					
Property taxes levied for:					
General purposes.					1,720,458
Fire operating levy.					390,313
Police pension transfer.					125,969
Municipal income taxes levied for:					
General purposes.					5,475,585
Family recreation center.					744,823
Grants and entitlements not restricted					
to specific programs.					1,079,045
Investment earnings.					73,061
Miscellaneous.					50,880
Total general revenues.					9,660,134
Change in net assets.					(84,433)
Net assets beginning of year.					37,187,502
Net assets end of year.					\$ 37,103,069

See accompanying notes to the basic financial statements

City of Macedonia, Ohio

Balance Sheet

Governmental Funds

December 31, 2009

	General	Family Recreation Center	Street Construction, Maintenance and Repair	Special Assessments Bond Retirement
Assets				
Equity in pooled cash and cash equivalents	\$ 1,007,604	\$ 1,254,781	\$ 148,190	\$ 24,878
Materials and supplies inventory	2,000	-	90,659	-
Accrued interest receivable	19,189	-	-	-
Accounts receivable	103,370	-	-	-
Intergovernmental receivable	263,274	-	353,842	-
Prepaid items	25,019	3,303	7,006	-
Municipal income taxes receivable	1,650,156	274,914	-	-
Property taxes receivable	1,612,680	-	-	-
Special assessments receivable	359,162	-	-	1,413,093
Total assets	\$ 5,042,454	\$ 1,532,998	\$ 599,697	\$ 1,437,971
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 79,889	\$ 47,170	\$ 46,728	\$ -
Contracts payable	-	-	-	-
Accrued wages and benefits	209,794	25,920	45,067	-
Intergovernmental payable	185,223	23,159	37,163	-
Compensated absences payable	10,533	-	-	-
Deferred revenue	1,676,905	154,282	253,751	1,413,093
Unearned revenue	1,449,843	-	-	-
Accrued interest payable	-	-	-	-
Notes payable	-	-	-	-
Total liabilities	3,612,187	250,531	382,709	1,413,093
Fund balances (deficit)				
Reserved for encumbrances	96,673	19,341	15,841	-
Reserved for materials and supplies inventory	2,000	-	90,659	-
Reserved for prepaids	25,019	3,303	7,006	-
Unreserved:				
Designated for emergency reserve	539,000	-	-	-
Undesignated, reported in:				
General fund	767,575	-	-	-
Special revenue funds	-	1,259,823	103,482	-
Debt service funds	-	-	-	24,878
Capital projects funds	-	-	-	-
Total fund balances (deficit)	1,430,267	1,282,467	216,988	24,878
Total liabilities and fund balances	\$ 5,042,454	\$ 1,532,998	\$ 599,697	\$ 1,437,971

See accompanying notes to the basic financial statements

South Freeway Drive	State Route 82 Widening Phase II and Phase III	Other Governmental Funds	Total Governmental Funds
\$ 277,871	\$ 14,702	\$ 713,047	\$ 3,441,073
-	-	-	92,659
-	-	-	19,189
-	1,300	-	104,670
-	-	111,001	728,117
-	-	1,391	36,719
-	-	-	1,925,070
-	-	522,687	2,135,367
-	-	22,597	1,794,852
<u>\$ 277,871</u>	<u>\$ 16,002</u>	<u>\$ 1,370,723</u>	<u>\$ 10,277,716</u>
\$ -	\$ -	\$ 20,785	\$ 194,572
-	1,303	145,658	146,961
-	-	18,601	299,382
-	-	109,017	354,562
-	-	-	10,533
-	1,300	123,167	3,622,498
-	-	483,731	1,933,574
7,517	-	3,211	10,728
<u>1,540,455</u>	<u>-</u>	<u>267,545</u>	<u>1,808,000</u>
<u>1,547,972</u>	<u>2,603</u>	<u>1,171,715</u>	<u>8,380,810</u>
67,428	5,550	18,697	223,530
-	-	-	92,659
-	-	1,391	36,719
-	-	-	539,000
-	-	-	767,575
-	-	472,535	1,835,840
-	-	-	24,878
<u>(1,337,529)</u>	<u>7,849</u>	<u>(293,615)</u>	<u>(1,623,295)</u>
<u>(1,270,101)</u>	<u>13,399</u>	<u>199,008</u>	<u>1,896,906</u>
<u>\$ 277,871</u>	<u>\$ 16,002</u>	<u>\$ 1,370,723</u>	<u>\$ 10,277,716</u>

City of Macedonia, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2009*

Total governmental fund balances	\$	1,896,906
 <i>Amounts reported for governmental activities on the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		46,665,993
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes receivable	\$ 201,793	
Municipal income taxes receivable	1,080,354	
Accounts receivable	55,748	
Intergovernmental receivable	500,150	
Special assessments receivable	1,784,453	
Total	3,622,498	3,622,498
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		14,399
Unamortized premiums on bond issuances are not recorded in the funds.		(4,123)
Unamortized deferred charges on refundings are not recorded in the funds.		10,276
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(76,784)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(6,820,000)	
Special assessment bonds	(1,599,800)	
SIB loans payable	(5,102,129)	
OPWC loans payable	(594,087)	
Long term notes	(150,000)	
Capital lease obligation payable	(151,363)	
Compensated absences	(608,717)	
Total	(15,026,096)	(15,026,096)
Net assets of governmental activities	\$	37,103,069

See accompanying notes to the basic financial statements

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City of Macedonia, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Family Recreation Center	Street Construction, Maintenance and Repair	Special Assessments Bond Retirement
Revenues				
Property taxes	\$ 1,755,645	\$ -	\$ -	\$ -
Municipal income taxes	5,523,645	729,703	-	-
Charges for services.	436,903	823,455	-	-
Fines, licenses and permits.	765,140	-	-	-
Intergovernmental.	1,117,888	-	647,837	-
Special assessments.	39,107	-	-	190,617
Interest.	71,274	-	1,156	-
Rentals.	33,933	-	-	-
Donations	1,105	1,490	-	-
Miscellaneous	50,880	1,105	11,834	-
Total revenues.	9,795,520	1,555,753	660,827	190,617
Expenditures				
Current:				
General government.	2,323,824	-	-	9,850
Security of persons and property	4,511,585	-	-	-
Public health services.	212,259	-	-	-
Transportation	-	-	1,568,329	-
Community environment	474,299	-	-	-
Basic utility services	148,931	-	-	-
Leisure time activities	3,139	1,178,152	-	-
Capital outlay.	29,813	-	149,664	-
Debt service:				
Principal retirement	469,437	512,479	51,797	105,574
Interest and fiscal charges.	151,037	194,300	9,008	81,005
Total expenditures.	8,324,324	1,884,931	1,778,798	196,429
Excess of revenues over (under) expenditures	1,471,196	(329,178)	(1,117,971)	(5,812)
Other financing sources (uses)				
Notes issued.	-	-	-	-
Loans issued.	-	-	-	-
Capital lease transactions	6,475	-	149,664	-
Transfers in	3,510	-	1,032,800	33,224
Transfers out	(1,682,216)	-	-	(11,455)
Total other financing sources (uses)	(1,672,231)	-	1,182,464	21,769
Net change in fund balances	(201,035)	(329,178)	64,493	15,957
Fund balances (deficit)				
Beginning of year	1,631,302	1,611,645	152,495	8,921
Fund balances (deficit) end of year	\$ 1,430,267	\$ 1,282,467	\$ 216,988	\$ 24,878

See accompanying notes to the basic financial statements

South Freeway Drive	State Route 82 Widening Phase II and Phase III	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 505,006	\$ 2,260,651
-	-	-	6,253,348
-	-	218,838	1,479,196
-	-	18,280	783,420
-	1,232,181	308,957	3,306,863
-	-	240	229,964
-	-	631	73,061
-	-	24,335	58,268
-	-	74	2,669
-	-	21,216	85,035
-	1,232,181	1,097,577	14,532,475
-	-	90,890	2,424,564
-	-	551,045	5,062,630
-	-	-	212,259
-	-	206,360	1,774,689
-	-	-	474,299
-	-	29,764	178,695
-	-	403,769	1,585,060
1,194,452	1,945,086	413,991	3,733,006
-	155,203	266,008	1,560,498
37,652	41,747	21,247	535,996
1,232,104	2,142,036	1,983,074	17,541,696
(1,232,104)	(909,855)	(885,497)	(3,009,221)
-	-	150,000	150,000
-	779,818	-	779,818
-	-	-	156,139
-	91,606	548,265	1,709,405
-	-	(15,734)	(1,709,405)
-	871,424	682,531	1,085,957
(1,232,104)	(38,431)	(202,966)	(1,923,264)
(37,997)	51,830	401,974	3,820,170
\$ (1,270,101)	\$ 13,399	\$ 199,008	\$ 1,896,906

City of Macedonia, 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, 2009*

Net change in fund balances - total governmental funds	\$	(1,923,264)
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
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.		
Capital asset additions	\$ 3,579,610	
Current year depreciation	(1,794,152)	
Total		1,785,458
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(25,302)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(23,911)	
Municipal income tax	(32,940)	
Charges for services	(4,579)	
Intergovernmental	(46,264)	
Special assessments	(231,894)	
Other	1,300	
Total		(338,288)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,560,498
In the statement of activities, interest accrued on outstanding bonds, bond premium, bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds expenditure is reported when the bonds are issued.		
Accrued interest	(35,864)	
Amortization of deferred loss on refunding	(1,468)	
Amortization of issuance costs	(2,057)	
Amortization of premium on bonds	589	
Total		(38,800)
Other financing sources in the governmental funds increased long-term liabilities in the statement of net assets.		
Notes issued	(150,000)	
Capital lease transaction	(156,139)	
Loans issued	(779,818)	
Total		(1,085,957)
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.		
		(18,778)
Change in net assets of governmental activities	\$	<u>(84,433)</u>

See accompanying notes to the basic financial statements

City of Macedonia, Ohio
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts			Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 1,810,129	\$ 1,810,129	\$ 1,785,106	\$ (25,023)
Municipal income taxes	6,807,918	5,708,962	5,720,930	11,968
Charges for services	563,800	670,400	517,541	(152,859)
Fines, licenses and permits	819,001	799,001	741,818	(57,183)
Intergovernmental	1,098,700	1,068,700	1,062,496	(6,204)
Special assessments	42,000	42,000	39,107	(2,893)
Interest	157,000	157,000	151,020	(5,980)
Rentals	21,100	26,500	33,933	7,433
Donations	2,000	2,000	1,105	(895)
Miscellaneous	32,500	81,950	64,633	(17,317)
Total revenues	<u>11,354,148</u>	<u>10,366,642</u>	<u>10,117,689</u>	<u>(248,953)</u>
Expenditures:				
Current:				
General government	2,585,800	2,523,829	2,508,656	15,173
Security of persons and property	5,027,701	4,818,599	4,627,880	190,719
Public health services	206,100	212,330	212,259	71
Community environment	486,900	486,900	479,516	7,384
Basic utility services	252,600	166,100	193,193	(27,093)
Economic development	30,000	30,000	30,000	-
Leisure time activity	3,200	3,300	3,269	31
Capital outlay	259,000	35,000	23,338	11,662
Debt service:				
Principal retirement	528,000	528,000	469,437	58,563
Interest and fiscal charges	56,000	56,000	151,037	(95,037)
Total expenditures	<u>9,435,301</u>	<u>8,860,058</u>	<u>8,698,585</u>	<u>161,473</u>
Excess of revenues over expenditures	<u>1,918,847</u>	<u>1,506,584</u>	<u>1,419,104</u>	<u>(87,480)</u>
Other financing sources (uses):				
Transfers in	4,000	7,510	3,510	(4,000)
Transfers out	(1,934,306)	(1,726,215)	(1,682,216)	43,999
Total other financing sources (uses)	<u>(1,930,306)</u>	<u>(1,718,705)</u>	<u>(1,678,706)</u>	<u>39,999</u>
Net change in fund balance	(11,459)	(212,121)	(259,602)	(47,481)
Fund balance at beginning of year	904,550	904,550	904,550	-
Prior year encumbrances appropriated	<u>184,751</u>	<u>184,751</u>	<u>184,751</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,077,842</u>	<u>\$ 877,180</u>	<u>\$ 829,699</u>	<u>\$ (47,481)</u>

See accompanying notes to the basic financial statements

City of Macedonia, Ohio
*Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)*
Family Recreation Center Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 954,600	\$ 722,149	\$ 725,464	\$ 3,315
Charges for services	899,000	899,000	823,634	(75,366)
Donations	900	900	1,490	590
Miscellaneous	-	-	1,145	1,145
Total revenues	1,854,500	1,622,049	1,551,733	(70,316)
Expenditures:				
Current:				
Leisure time activity	1,410,000	1,204,712	1,207,413	(2,701)
Debt service:				
Principal retirement	507,400	508,400	512,479	(4,079)
Interest and fiscal charges	196,500	196,500	194,300	2,200
Total expenditures	2,113,900	1,909,612	1,914,192	(4,580)
Net change in fund balance	(259,400)	(287,563)	(362,459)	(74,896)
Fund balance at beginning of year	1,510,853	1,510,853	1,510,853	-
Prior year encumbrances appropriated	39,876	39,876	39,876	-
Fund balance at end of year	\$ 1,291,329	\$ 1,263,166	\$ 1,188,270	\$ (74,896)

See accompanying notes to the basic financial statements

City of Macedonia, Ohio
*Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 940,700	\$ 660,700	\$ 641,856	\$ (18,844)
Interest	5,000	5,000	1,156	(3,844)
Miscellaneous.	35,000	35,000	28,688	(6,312)
Total revenues	<u>980,700</u>	<u>700,700</u>	<u>671,700</u>	<u>(29,000)</u>
Expenditures:				
Current:				
Transportation	2,198,001	1,748,900	1,618,880	130,020
Debt service:				
Principal retirement	32,992	32,992	51,797	(18,805)
Interest and fiscal charges	9,008	9,008	9,008	-
Total expenditures	<u>2,240,001</u>	<u>1,790,900</u>	<u>1,679,685</u>	<u>111,215</u>
Deficiency of revenues under expenditures	<u>(1,259,301)</u>	<u>(1,090,200)</u>	<u>(1,007,985)</u>	<u>82,215</u>
Other financing sources:				
Transfers in	1,280,000	1,033,399	1,032,800	(599)
Total other financing sources	<u>1,280,000</u>	<u>1,033,399</u>	<u>1,032,800</u>	<u>(599)</u>
Net change in fund balance	20,699	(56,801)	24,815	81,616
Fund balance at beginning of year	16,472	16,472	16,472	-
Prior year encumbrances appropriated.	44,334	44,334	44,334	-
Fund balance at end of year	<u>\$ 81,505</u>	<u>\$ 4,005</u>	<u>\$ 85,621</u>	<u>\$ 81,616</u>

See accompanying notes to the basic financial statements

City of Macedonia, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2009

Assets	
Equity in pooled cash and cash equivalents	\$ 133,774
Income tax receivable	21,945
Intergovernmental receivable	10,000
Accounts receivable	<u>7,258</u>
 Total assets.	 <u>\$ 172,977</u>
 Liabilities	
Undistributed monies.	\$ 21,945
Accounts payable	164
Intergovernmental payable	24,410
Deposits held and due to others.	<u>126,458</u>
 Total liabilities	 <u>\$ 172,977</u>

See accompanying notes to the basic financial statements

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 1 - Description of the City and Reporting Entity

The City of Macedonia (the “City”) is a charter municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City may exercise all powers of local self-government and police powers to the extent it is not in conflict with applicable general laws. A charter was first adopted by the electorate at a general election held in 1972. The City operates under its own charter and is governed by a Mayor-Council form of government with the Mayor appointing the Finance Director and department heads, with Council approval and Council appointing the Clerk of Council. Officials include six Council members and a Mayor elected to four-year terms.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Macedonia, this includes the departments and agencies that provide the following services: police, fire, street maintenance, planning and zoning, emergency medical technicians, parks and recreation system, public improvements department, general administrative services and Mayor’s court.

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

The City is associated with two jointly governed organizations, the Northeast Ohio Public Energy Council and the Regional Council of Governments and one joint venture, the Northfield Center Township - Macedonia Joint Economic Development District. These organizations are presented in notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Macedonia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities unless these pronouncements conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City reports two categories of funds: governmental and fiduciary.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Governmental Funds - Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Macedonia and/or the general laws of Ohio.

Family Recreation Center Fund - The family recreation center fund accounts for membership and program fees and income taxes to be used for the operation and maintenance of the family recreational center.

Street Construction, Maintenance and Repair Fund - The street construction, maintenance and repair fund accounts for the portion of the State gasoline tax and motor vehicle registration fees designated for maintenance and repair of designated streets within the City and for the maintenance and operations of the street department.

Special Assessments Bond Retirement Fund - The special assessments bond retirement fund accounts for accumulation of resources to pay principal and interest on special assessment debt.

South Freeway Drive Fund - This fund accounts for monies for the improvement of South Freeway Drive. The project will include a partial assessment to property owners.

State Route 82 Widening Phase II and Phase III - This fund accounts for monies for the widening of State Route 82. The project is funded by State Infrastructure Bank (SIB) loans and State grants.

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits pledged by contractors, citizens and building assessment fees collected for the Ohio Board of Building Standards; a payroll revolving fund that accounts for net payroll and related deductions for distribution; and finally, a Joint Economic Development District with Northfield Center Township.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control is at the department level and object level of personal services for the general, street construction, maintenance and repair and parks and recreation funds, at the line item level for the capital improvements fund, and at the fund level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. More detailed allocations beyond the legal level of appropriations passed by Council may be made by the Finance Director.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources by fund. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During 2009, the City's investments were limited to money market funds, federal agency securities and State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2009.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2009 amounted to \$71,274, which includes \$53,854 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. An analysis of the City's investment account at year-end is provided in Note 6.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Capital Assets

The City's only capital assets are general capital assets. General capital assets are those assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land	N/A
Buildings and Improvements	15 - 100 years
Land Improvements	20 years
Machinery and Equipment	5 - 40 years
Furniture and Fixtures	10 - 25 years
Vehicles	6 - 25 years
Infrastructure	15 - 50 years

The City's infrastructure consists of roads, water mains, storm sewers, traffic signals, and bridges and includes infrastructure acquired since December 31, 1980.

J. Interfund Balances

On fund financial statements, receivables and payables resulting in short term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after one year of service with the City.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

M. Fund Balance Reserves and Designations

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriations in future periods. Fund balance reserves have been established for encumbrances and materials and supplies inventory and prepaids. Designations represent tentative plans for future use of financial resources. The City has begun accumulating resources for emergency reserves. A portion of the general fund balance has been designated for emergency reserves.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions on enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The government wide statement of net assets report \$3,948,631 of restricted net assets, none of which is restricted by enabling legislation.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Net assets restricted for other purposes include the operations of the Fire Awareness Instruction and Respect (FAIR) program, community development block grant program, and maintaining subdivision trees.

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

O. Interfund Activity

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Bond Issuance Costs

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. Within the governmental fund statements, bond issuance costs are expensed when incurred. Issuance costs are generally paid from bond proceeds.

Q. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are receipted in the year the bonds are issued.

R. Gain/Loss on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence.

T. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Changes in Accounting Principles

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 4 - Compliance and Accountability

Fund Deficits

Fund balances at December 31, 2009 included the following individual fund deficits:

<u>Major Funds</u>	<u>Fund Balance Deficit</u>
South Freeway Drive	\$ 1,270,101
<u>Non-Major Funds</u>	
Police Pension	14,327
Shepard Road Sanitary Sewer	210,267
Road Resurfacing Notes	51,092
Highland Road Bridge	89,046

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

Contrary to Ohio Revised Code Section 5705.41D, the City did not always certify its purchases prior to the City incurring a commitment.

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statements of revenues, expenditures and changes in fund balances - budget (non-GAAP basis) and actual for the general fund and the family recreation center and street construction, maintenance and repair special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis); and,
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 5 - Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the general fund, the family recreation center special revenue fund and the street construction, maintenance and repair special revenue fund.

	Net Change in Fund Balance		
	General	Family recreation center	Street construction, maintenance and repair
Budget basis	\$ (259,602)	\$ (362,459)	\$ 24,815
Net adjustment for revenue accruals	(322,169)	4,020	(10,873)
Net adjustment for expenditure accruals	197,699	(37,250)	(161,682)
Net adjustment for other financing sources/(uses)	6,475	-	149,664
Encumbrances	176,562	66,511	62,569
GAAP basis	<u>\$ (201,035)</u>	<u>\$ (329,178)</u>	<u>\$ 64,493</u>

Note 6 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 6 - Deposits and Investments (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Cash on Hand

At year end, the City had \$1,175 in undeposited cash on hand, which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents".

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 6 - Deposits and Investments (Continued)

Deposits

At December 31, 2009, the carrying amount of all City deposits was \$935,840. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2009, \$527,245 of the City’s bank balance of \$780,328 was exposed to custodial risk as discussed below, while \$253,083 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

All investments are in an internal investment pool. As of December 31, 2009, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater Than 24 months</u>
STAR Ohio	\$ 62,391	\$ 62,391	\$ -	\$ -	\$ -	\$ -
Fifth Third money market funds	21,906	21,906	-	-	-	-
FHLB	1,029,847	-	205,376	202,157	-	622,314
FHLMC	101,531	-	-	-	-	101,531
Freddie Mac	510,249	101,276	-	-	-	408,973
Fannie Mae	911,908	403,502	-	100,750	-	407,656
Total	<u>\$ 2,637,832</u>	<u>\$ 589,075</u>	<u>\$ 205,376</u>	<u>\$ 302,907</u>	<u>\$ -</u>	<u>\$ 1,540,474</u>

The weighted average maturity of investments is 2.27 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the City’s investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 6 - Deposits and Investments (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and the U.S. government money market fund are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The Village has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Credit Risk: STAR Ohio and the Fifth Third money market fund carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The federal agency securities carry a rating of AAA by Standard & Poor's and Moody. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk: The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 62,391	2.37
Fifth Third money market funds	21,906	0.83
FHLB	1,029,847	39.04
FHLMC	101,531	3.85
Freddie Mac	510,249	19.34
Fannie Mae	911,908	34.57
Total	<u>\$ 2,637,832</u>	<u>100.00</u>

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the financial statements as of December 31, 2009:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 935,840
Investments	2,637,832
Cash on hand	1,175
Total	<u>\$ 3,574,847</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 3,441,073
Agency funds	133,774
Total	<u>\$ 3,574,847</u>

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 7 - Receivables

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property taxes, special assessments, accounts (billings for user charged services and court fines), and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes and special assessments are expected to be collected within one year. Property taxes although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$359,162 in the general fund and \$1,400,202 in the special assessment bond retirement fund. At December 31, 2009 the amount of delinquent special assessments was \$12,891.

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Fiscal Officer at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

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

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 7 – Receivables (Continued)

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Macedonia. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2009 was \$8.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 297,323,140
Commercial/Industrial/Mineral	111,198,780
Tangible Personal Property	753,398
<u>Public Utility</u>	
Real	784,640
Personal	<u>15,676,320</u>
Total Assessed Value	<u>\$ 425,736,278</u>

B. Income Taxes

The City levies a two percent municipal income tax on substantially all income earned within the City. In addition, City residents are required to pay tax on income earned outside of the City. The City allows a credit of one-hundred percent for income tax paid to another municipality, not to exceed two percent of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 8.5 percent of the City's net income tax collections will be allocated to general improvements, 12.5 percent to parks and recreation, and 29 percent of the general fund's income tax revenue to cover police, fire and service department expenditures. The balance is to be used for current operating expenditures.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of three percent.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 7 - Receivables (Continued)

C. Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

Governmental activities:	<u>Amount</u>
Local Government	\$ 151,359
Homestead and Rollback	76,791
Prisoner Housing	250
EMS	16,000
Inheritance Tax	18,874
Street Construction, Maintenance and Repair	353,842
State Highway	17,231
Fire Operating	20,656
Police Pension	6,315
Federal Fire	18,548
Motor Vehicle License	<u>48,251</u>
<i>Total Governmental Activities</i>	<u>\$ 728,117</u>

Note 8 - Compensated Absences

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. Normally, all vacation is to be taken in the year available unless written approval for carryover of vacation is obtained, in which case it is to be used in the first quarter of the following year. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at a rate of 1 1/4 days per month. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of forty percent of accumulated, unused sick leave up to a maximum payment of 384 hours, except fire employees whose maximum payment is up to 460 hours and police employees whose maximum payment is up to 500 hours. An employee with less than 10 years of service with the City, who is terminated other than retirement, is entitled to be paid 25 percent of their accrued unused sick leave up to a maximum payment of 240 hours.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 9 - Interfund Transactions

Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 536,810
Street construction, maintenance and repair fund	1,032,800
Special assessment bond retirement	21,000
State Route 82 widening phase II and phase III	91,606
<u>Transfers from special assessment bond retirement to:</u>	
Nonmajor governmental funds	11,455
<u>Transfers from nonmajor governmental funds to:</u>	
General fund	3,510
Special assessment bond retirement	<u>12,224</u>
Total	<u>\$ 1,709,405</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move residual equity amounts. Transfers between governmental funds are eliminated on the government-wide financial statements.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/08	Additions	Deletions	Balance 12/31/09
Governmental activities:				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 6,382,753	\$ 768,098	\$ -	\$ 7,150,851
Construction in Progress	1,447,164	2,503,371	-	3,950,535
<i>Total Capital Assets Not Being Depreciated</i>	<u>7,829,917</u>	<u>3,271,469</u>	<u>-</u>	<u>11,101,386</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	12,640,233	-	-	12,640,233
Machinery and Equipment	1,970,273	285,699	(17,534)	2,238,438
Furniture and Fixtures	14,247	-	-	14,247
Vehicles	3,465,496	22,442	(62,903)	3,425,035
Infrastructure:				
Roads	19,230,136	-	-	19,230,136
Water Mains	6,039,132	-	-	6,039,132
Storm Sewers	11,663,356	-	-	11,663,356
Traffic Signals	477,763	-	-	477,763
Bridges	226,589	-	-	226,589
<i>Total Capital Assets Being Depreciated</i>	<u>55,727,225</u>	<u>308,141</u>	<u>(80,437)</u>	<u>55,954,929</u>
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(2,760,554)	(247,209)	-	(3,007,763)
Machinery and Equipment	(925,317)	(171,996)	16,055	(1,081,258)
Furniture and Fixtures	(7,669)	(844)	-	(8,513)
Vehicles	(1,517,879)	(213,694)	39,080	(1,692,493)
Infrastructure:				
Roads	(9,032,632)	(775,285)	-	(9,807,917)
Water Mains	(1,410,992)	(120,783)	-	(1,531,775)
Storm Sewers	(2,668,394)	(233,267)	-	(2,901,661)
Traffic Signals	(295,638)	(26,542)	-	(322,180)
Bridges	(32,230)	(4,532)	-	(36,762)
<i>Total Accumulated Depreciation</i>	<u>(18,651,305)</u>	<u>(1,794,152)</u>	<u>55,135</u>	<u>(20,390,322)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>37,075,920</u>	<u>(1,486,011)</u>	<u>(25,302)</u>	<u>35,564,607</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 44,905,837</u>	<u>\$ 1,785,458</u>	<u>\$ (25,302)</u>	<u>\$ 46,665,993</u>

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 10 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follow:

General government	\$ 83,211
Security of persons and property	255,219
Public health and welfare	637
Leisure time activities	186,847
Basic utility services	354,927
Community environment	324
Transportation	<u>912,987</u>
Total	<u>\$ 1,794,152</u>

Note 11 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. As of December 31, 2009, the City contracted with the St. Paul Travelers Insurance Company, as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
St. Paul Travelers Insurance		
Blanket Property, and Contents, Replacement	\$ 17,526,367	\$2,500
General Liability	1,000,000	-
Automobile Liability	1,000,000	500
Umbrella Liability	4,000,000	10,000
Employer Liability	1,000,000	-
Computers	217,675	1,000
Computers in Transit	67,000	1,000
Miscellaneous Equipment (Scheduled)	1,626,013	1,000
Miscellaneous Equipment (Unscheduled)	-	250
Tower and Antenna	44,628	1,000
Public Officials Liability	1,000,000	25,000
Law Enforcement	1,000,000	25,000
Employee Benefits Liability (per act)	1,000,000/3,000,000	1,000
Employment Practices Liability	5,000,000	25,000

The City carries commercial insurance coverage for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year.

B. Workers' Compensation

Workers' compensation coverage is provided by the State of Ohio. 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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 12 - Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$247,237, \$271,896 and \$291,242, respectively; 91.93% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 12 - Pension Plans (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City 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. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$177,398 and \$149,146 for the year ended December 31, 2009, \$210,692 and \$141,925 for the year ended December 31, 2008 and \$165,535 and \$132,679 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 73.25% has been contributed for police and 70.70% has been contributed for firefighters for 2009.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but not does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 13 - POSTRETIREMENT BENEFIT PLANS (Continued)

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$178,796, \$271,896 and \$191,836, respectively; 91.93% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2007, January 1, 2008 and January 1, 2009, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

NOTE 13 - POSTRETIREMENT BENEFIT PLANS (Continued)

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$93,917 and \$58,361 for the year ended December 31, 2009, \$111,543 and \$55,536 for the year ended December 31, 2008 and \$87,636 and \$51,918 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 73.25% has been contributed for police and 70.70% has been contributed for firefighters for 2009.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 14 - Capital Leases

In the current year and in a prior year, the City entered into lease agreements for a rescue vehicle, two snow plows, a tractor, two trucks and three copiers. The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases". Capital lease payments have been reclassified and are reflected as debt service expenditures in the capital improvements fund on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized and depreciated as follows as of December 31, 2009:

Governmental Activities	
<i>Capital Assets, being depreciated:</i>	
Vehicles	\$ 688,664
Equipment	<u>86,007</u>
<i>Total capital assets, being depreciated</i>	774,671
Less Accumulated Depreciation	<u>(123,935)</u>
<i>Capital Assets, Net</i>	<u><u>\$ 650,736</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2009.

Year Ending December 31,	Governmental Activities
2010	\$ 47,297
2011	47,297
2012	47,297
2013	26,327
2014	<u>1,386</u>
Total	169,604
Less: Amount Representing Interest	<u>(18,241)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 151,363</u></u>

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 15 - Notes Payable

Note activity for the year ended December 31, 2009, consisted of the following:

	Outstanding 12/31/08	Issued	Retired	Outstanding 12/31/09
GO/special assessment bond anticipation notes	\$ 1,729,000	\$ 1,758,000	\$ (1,729,000)	\$ 1,758,000
Various improvement notes	50,000	50,000	(50,000)	50,000
<i>Total</i>	<u>\$ 1,779,000</u>	<u>\$ 1,808,000</u>	<u>\$ (1,779,000)</u>	<u>\$ 1,808,000</u>

All the notes are backed by the full faith and credit of the City of Macedonia. The note liability is reflected in the fund which received the proceeds.

During 2009, the City paid \$250,000 against the various improvement notes and issued the remaining \$200,000 in a new various purpose improvement notes series 2009 note. The 2009 note has a maturity of May 28, 2010. \$150,000 of the 2009 note has been presented as a long-term liability. The remaining \$50,000 has been reported as a fund obligation. The note has an interest rate of 1.85%. All proceeds have been spent as of December 31, 2009.

On September 25, 2009, the City issued \$1,758,000 in bond anticipation notes for various special assessments with an interest rate of 1.95 percent and a maturity date of September 24, 2010 and has been reported as a fund obligation. All proceeds have been spent as of December 31, 2009.

Note 16 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds and loans follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
General Obligation Bonds			
Various Purpose, 2001	3.45-4.90 %	\$ 8,355,000	December 1, 2016
Refunding Recreation Center, 2003	2.00-4.00	2,215,000	December 1, 2016
Special Assessments			
Highland Road Improvement Variance, 2003	2.00	1,260,000	December 1, 2023
Highland Road Improvement, 1996	6.25	294,100	December 1, 2016
North Freeway Drive, 2006	5.38	543,300	December 1, 2026
State Infrastructure Bank Loans			
Highland Road Grade Separation, 2006	3.00	610,279	December 1, 2016
State Route 82 Widening, 2007	3.00	2,742,578	December 1, 2017
State Route 82 Widening, 2008	3.00	1,190,172	June 6, 2018
Ohio Public Works Commission Loan (OPWC)			
North Freeway Drive Project, 2005	-	678,957	December 1, 2027
Long-term Note Payable			
Various Improvement Note Series 2008	2.60	250,000	May 29, 2009
Various Improvement Note Series 2009	1.85	200,000	May 28, 2010

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 16 - Long-Term Obligations (Continued)

Changes in long-term obligations of the City during 2009 are as follows:

	Balance 12/31/08	Increase	Decrease	Balance 12/31/09	Amounts Due in One Year
General Obligation Bonds					
Various Purpose Bonds, 2001	\$ 6,230,000	\$ -	\$ 700,000	\$ 5,530,000	\$ 685,000
Refunding Recreation Center, 2003					
Serial Bonds	1,255,000	-	165,000	1,090,000	170,000
Term Bonds	200,000	-	-	200,000	-
Premium	4,712	-	589	4,123	-
Deferred Loss on Refunding	(11,744)	-	(1,468)	(10,276)	-
<i>Total General Obligation Bonds</i>	<u>7,677,968</u>	<u>-</u>	<u>864,121</u>	<u>6,813,847</u>	<u>855,000</u>
Special Assessment Bonds with Governmental Commitment					
Highland Road Improvement Variance, 2003					
Serial Bonds	410,000	-	55,000	355,000	55,000
Term Bonds	605,000	-	-	605,000	-
Highland Road Improvement, 1996	162,200	-	16,200	146,000	17,300
North Freeway Drive, 2006	511,200	-	17,400	493,800	18,400
<i>Total Special Assessment Bonds</i>	<u>1,688,400</u>	<u>-</u>	<u>88,600</u>	<u>1,599,800</u>	<u>90,700</u>
State Infrastructure Bank Loans (SIB)					
Highland Road Grade Separation, 2006	610,279	-	65,515	544,764	71,047
State Route 82 Widening, 2007	2,742,578	40,575	155,203	2,627,950	317,425
State Route 82 Widening, 2008	1,190,172	739,243	-	1,929,415	109,190
<i>Total State Infrastructure Banks Loans</i>	<u>4,543,029</u>	<u>779,818</u>	<u>220,718</u>	<u>5,102,129</u>	<u>497,662</u>
Ohio Public Works Commission Loan (OPWC)					
North Freeway Drive Project, 2005	611,061	-	16,974	594,087	33,948
Long Term Notes					
Various Purpose Improvement Note Series 2008	200,000	-	200,000	-	-
Various Purpose Improvement Note Series 2009	-	150,000	-	150,000	150,000
<i>Total Long Term Notes</i>	<u>200,000</u>	<u>150,000</u>	<u>200,000</u>	<u>150,000</u>	<u>150,000</u>
Capital Leases	164,430	156,139	169,206	151,363	39,597
Compensated Absences Payable	589,939	66,319	37,008	619,250	66,833
Total Governmental Long-Term Liabilities	<u>\$ 15,474,827</u>	<u>\$ 1,152,276</u>	<u>\$ 1,596,627</u>	<u>\$ 15,030,476</u>	<u>\$ 1,733,740</u>

General obligation bonds are the direct obligation of the City for which its full faith and credit are pledged for repayment and will be paid from the collection of income taxes.

Special assessment bonds will be paid from special assessment proceeds levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 16 - Long-Term Obligations (Continued)

The State Infrastructure Bank Loans (SIB) will be paid from the general fund. The State Infrastructure Loan for State Route 82 Widening has not been finalized and therefore a repayment schedule is not included in the schedule of debt requirements. All proceeds have been spent by December 31, 2009.

The City has pledged a portion of future vehicle registration fees and motor vehicle tax to repay \$610,279 in State Infrastructure Bank Loans issued in 2006 to finance the construction and repair of local roadways. These loans are payable solely from vehicle registration fees and motor vehicle tax and were projected to use twenty-nine percent of the available vehicle registration fees and motor vehicle tax revenue over the life of the loans. Total principal and interest remaining on the 2006 loans is \$544,764 payable through 2016. A payment of \$65,515 was made during 2009 and total vehicle registration fees and motor vehicle tax revenues were \$92,288.

The City has pledged a portion of future income tax revenues to repay \$3,932,750 in State Infrastructure Bank Loans issued in 2007 and 2008, to finance the construction and repair of local roadways. These loans are payable solely from income taxes and were projected to use two percent of the available income tax revenue over the life of the loans. The amortization schedule for these loans has not been finalized. A payment of \$155,203 was made during the year and total income revenues were \$6,220,408.

The Ohio Public Works Commission (OPWC) loan for North Freeway Drive Project will be paid from special assessments.

Compensated absences will be paid from the general fund and the street construction, maintenance and repair, parks and recreation and family recreation center special revenue funds.

On July 23, 2003, the City issued \$1,260,000 in special assessment bonds with interest rates varying from 2.0 percent to 4.0 percent. The bond issue included serial and term bonds.

Optional Redemption - The bonds maturing on or after December 1, 2012, shall be subject to redemption, by and at the option of the City, on or after December 1, 2011, in whole or in part on any date, in the integral multiples of \$5,000, at the redemption price of 100% of principal amount to be redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption - The bonds maturing on December 1, 2023 shall be term bonds subject to mandatory sinking redemption requirements. The mandatory redemption is to occur on December 1, 2016 and 2022 (with the balance of \$85,000 to be paid at stated maturity on December 1, 2023):

<u>Year</u>	<u>Principal Amount</u>
2016	\$ 65,000
2017	70,000
2018	70,000
2019	75,000
2020	75,000
2021	80,000
2022	85,000

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 16 - Long-Term Obligations (Continued)

Refunding Bonds

On July 23, 2003, the City issued \$2,215,000 in general obligation bonds with interest rates varying from 2.0 percent to 4.0 percent. The bond issue included serial and term bonds. Proceeds were used to refund \$2,099,000 of the outstanding 1998 Various Purpose Refunded Bonds. As a result these bonds were considered defeased and the liability for the refunded bonds has been removed from the basis financial statements. The balance outstanding for the bonds is \$1,290,000 as of December 31, 2009.

The serial bonds for the recreation center refunding bonds were issued for a twelve year period with a final maturity at December 1, 2015. The bonds are being retired from the family recreation center retirement fund.

Optional Redemption - The bonds maturing on or after December 1, 2012, shall be subject to redemption, by and at the option of the City, on or after December 1, 2011, in whole or in part on any date, in the integral multiples of \$5,000, at the redemption price of 100% of principal amount to be redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption - The bonds maturing on December 1, 2016 shall be term bonds subject to mandatory sinking redemption requirements. The mandatory redemption is to occur on December 1, 2016 in the amount of \$200,000.

Legal Debt Margin

The Ohio 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 taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2009, the City's total debt margin was \$37,820,160 (including available funds of \$24,878) and the unvoted debt margin was \$16,549,910.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 16 - Long-Term Obligations (Continued)

Principal and interest requirements to retire the long-term obligations as of December 31, 2009, are as follows:

Years	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	SIB Loans	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2010	\$ 855,000	\$ 476,654	\$ 90,700	\$ 71,099	\$ 33,948	\$ 71,047	\$ 15,814
2011	895,000	441,072	92,700	67,364	33,948	73,194	13,667
2012	925,000	1,158,263	99,900	63,487	33,948	75,406	11,454
2013	970,000	1,163,413	102,200	59,297	33,948	77,686	9,175
2014	1,010,000	1,108,150	104,700	54,880	33,948	80,033	6,827
2015 - 2019	2,165,000	548,035	526,700	201,553	169,740	167,398	6,324
2020 - 2024	-	-	499,200	82,532	169,739	-	-
2025 - 2027	-	-	83,700	5,705	84,868	-	-
Total	<u>\$ 6,820,000</u>	<u>\$ 4,895,587</u>	<u>\$ 1,599,800</u>	<u>\$ 605,917</u>	<u>\$ 594,087</u>	<u>\$ 544,764</u>	<u>\$ 63,261</u>

Note 17 - Jointly Governed Organization

A. Northeast Ohio Public Energy Council (NOPEC)

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Macedonia did not contribute to NOPEC during 2009. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308 or at the website www.nopecinfo.org.

B. Regional Council of Governments

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 162 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2005.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 17 - Jointly Governed Organization (Continued)

Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA.

Note 18 - Joint Venture

The City participates in the Northfield Center Township - Macedonia Joint Economic Development District (JEDD) which is created in accordance with sections 715.70 and 715.71 of the Ohio Revised Code. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The City and the Township shall work together to provide or cause to be provided, water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of six members, three from each the City and the Township. The Township members of the Board are the Township Trustees. The City members are the Mayor and two elected members of Council who are appointed to the Board by the Mayor and approved by Council. The Board adopted an annual budget for the JEDD and estimated the revenues and expenses of the operation of the JEDD. They also established the distribution of the income tax revenues. The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area. Continued existence of the JEDD is dependent on the City's continued participation; however, the City does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. In 2009, the JEDD had total distributions of \$213,232 of which \$106,616 went to the City. Complete financial statements can be obtained from the Northfield Center Township-Macedonia Joint Economic Development District, City of Macedonia Finance Department, 9691 Valley View Road, Macedonia, Ohio, 44056.

Note 19 - Contingencies

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2009.

B. Litigation

The City of Macedonia is a party to legal proceedings seeking damages. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2009

Note 20 - Significant Subsequent Events

On January 4, 2010, the City issued \$3,220,000 in bond anticipation notes for the refunding of outstanding special obligation debt. On April 22, 2010, the City issued \$225,000 and \$150,000 in bond anticipation notes for the acquisition of an ambulance and for street improvements, respectively.

Note 21 - Restatement and Reissuance of the 2009 Audit Report

The 2009 financial statements were reissued due to on-behalf payments that were not previously reported. The previously issued report did not include \$768,098 in payments made by the Ohio Department of Transportation (ODOT) on-behalf of the City. The City's was notified of this omission by ODOT in September 2010, after the City's 2009 audit report was released. Immediately upon notification from ODOT, the City contacted The Ohio Auditor of State's office.

On the statement of net assets, the error resulted in the understatement of nondepreciable capital assets, net assets invested in capital assets, net of related debt and total net assets each by \$768,098. On the statement of activities, capital grants and contributions were understated by \$768,098. On the fund financial statements, this misstatement made the State Route 82 Widening Phase II and Phase III project a major fund. On the statement of revenues, expenditures and change in fund balance both intergovernmental revenues and capital outlay expenditures were increased by \$768,098.

As stated above, this error resulted in an understatement of the City's total net assets and capital assets. The management's discussion and analysis has been revised to reflect the increase of both net assets and capital assets and to include discussion of the City's State Route 82 Widening Phase II and Phase III fund.

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**CITY OF MACEDONIA
SUMMIT COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
<u>Highway Planning and Construction</u> State Route 82 Widening Project	23261	20.205	<u>\$ 768,098</u>
Totals			<u>\$ 768,098</u>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF MACEDONIA
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Macedonia's (City) federal award program disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – REISSUED AUDIT REPORT

The accompanying Federal Awards Expenditures Schedule (the Schedule) is included because subsequent to issuing the audit report dated July 30, 2010, the City became aware of Highway Planning and Construction Program (CFDA #20.205) payments the State made on behalf of the City. Because this award increased the City's total 2009 Federal Expenditures above \$500,000, the City was required to reissue its statements and include this schedule. You should rely on this report dated November 8, 2010 rather than the auditor's report dated July 30, 2010 for the City for the year ended December 31, 2009.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2010. We have reissued our report to include the Highway Planning and Construction Program State Route 82 Widening Phase II and Phase III fund and as part of Governmental Activities. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. 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 entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-02 described in the accompanying Schedule of Findings to be a material weakness.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated July 30, 2010.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the finance/audit committee, City Council, federal awarding agencies and pass-through entities and others within the City. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 30, 2010, except for the reissuance described above and Finding #2009-002 for which the date is November 8, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

To the City Council:

Compliance

We have audited the compliance of City of Macedonia, Summit County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying Schedule of Findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings lists this instance as Finding 2009-003.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2009-003 to be a material weakness.

The City's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated November 8, 2010.

Federal Awards Receipts and Expenditures Schedule

We have also audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Macedonia as of and for the year ended December 31, 2009, and have issued our reports thereon dated July 30, 2010. We have reissued our report dated November 8, 2010 to include the Highway Planning and Construction Program in the Federal Awards Expenditures Schedule. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.

We intend this report solely for the information and use of the finance/audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 8, 2010

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**CITY OF MACEDONIA
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2009-001

Material Noncompliance

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

FINDING NUMBER 2009-001 (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Eight out of 31, or 25.80% of disbursements tested were improperly certified. Of these, one did not utilize a purchase order, two had then and now certification in excess of \$3,000 without Council approval, and five disbursements had purchase orders dated after the invoice date. None of the exceptions listed above were properly used.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the Finance Director certify the funds are or will be available prior to the obligation by the City. When prior certification is not possible "then and now" certification should be used (with approval of City Council if it exceeds \$3,000). In addition, the City should use purchase orders for all expenditures.

The City should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Finance Director should sign the certification prior to the City incurring a commitment, and only when the requirements of 5705.41(D) are satisfied.

Official's Response: The City is committed to following state purchasing requirements and will continue our efforts to resolve these issues.

FINDING NUMBER 2009-002

Material Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.42 states, in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

The City entered into a Local Public Agency (LPA) agreement with the Ohio Department of Transportation (ODOT) regarding the federally funded Route 82 Widening project in 2004. Due to turnover of personnel in key positions at the City since that time and because ODOT was effectively administering the work on behalf of the City without reporting to the City, no monitoring of this grant activity occurred during 2009. As a result, the City did not record \$768,098 of federal revenue and associated utility relocation capital assets paid for on behalf of the City by ODOT.

The City should implement specific internal control procedures to ensure all grant activity performed on behalf of the City is properly monitored and recorded. This would help ensure the financial statements are properly and accurately presented.

Official's Response:

The City believes that this finding is the result of turnover in the positions of City Engineer and Finance Director along with the lack of release of any information regarding being a sub-recipient for reporting purposes of federal funds until September 30, 2010 from the Ohio Department of Transportation. The City's planned action to resolve this type of reporting issue(s) in the future will be for the Finance Director to make a written request of the Ohio Department of Transportation on or before December 31st of each year.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2009-003
CFDA Title and Number	Highway, Planning, and Construction Cluster (CFDA #20.205)
Federal Award Number / Year	2009
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

Federal Noncompliance/Material Weakness

Finding Number 2009-002 describes deficiencies related to federal grant monies spent by ODOT on behalf of the City. We believe this finding is also a material weakness and noncompliance under OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Section 300(a) of the Circular requires the City to identify all Federal awards received and expended, and Section 300(d) requires the City to prepare a Federal Awards Expenditure Schedule. The City did not include the ODOT money in its accounting records and did not prepare a Federal Awards Expenditure Schedule.

Official's Response: See Finding Number 2009-002 above. The contact person is the Finance Director.

CITY OF MACEDONIA
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	5705.41(D) – 37.14% of disbursements tested were not properly certified.	No	Not Corrected – Refer to Finding 2009-01



Mary Taylor, CPA
Auditor of State

CITY OF MACEDONIA

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 14, 2010**