



Dave Yost • Auditor of State

CITY OF MACEDONIA
SUMMIT COUNTY

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Dave Yost • 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, 2010, 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, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Family Recreation Center Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 16, 2011

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

The management's discussion and analysis of the City of Macedonia's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. 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 2010 are:

- City income tax revenue totaled \$5,954,660. This is a decrease of \$265,748 or 4.27 percent from 2009.
- Total assets decreased by \$724,848, a 1.27 percent decrease from 2009.
- Total net assets increased by \$2,301,650, a 6.20 percent increase from 2009.
- Total capital assets, net of depreciation decreased \$1,275,470, a 2.73 percent decrease from 2009.
- Total outstanding long-term liabilities decreased \$1,023,442, a 6.81 percent decrease from 2009.
- The total governmental fund balances for the City increased from \$1,896,906 to \$4,835,103. The general fund ended the year with a fund balance of \$2,561,756.

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 2010?" 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, 2010
(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 special assessments bond retirement fund; and the State route 82 widening phase II and phase III 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, 2010
(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 2010 compared to 2009.

Table 1
Net Assets

	Governmental Activities		
	2010	2009	Change
Current and Other Assets	\$ 10,842,737	\$ 10,292,115	\$ 550,622
Capital Assets, Net	45,390,523	46,665,993	(1,275,470)
<i>Total Assets</i>	<u>56,233,260</u>	<u>56,958,108</u>	<u>(724,848)</u>
Current and Other Liabilities	2,821,507	4,824,563	(2,003,056)
Long-Term Liabilities:			
Due Within One Year	1,295,610	1,733,740	(438,130)
Due in More Than One Year	12,711,424	13,296,736	(585,312)
<i>Total Liabilities</i>	<u>16,828,541</u>	<u>19,855,039</u>	<u>(3,026,498)</u>
Invested in Capital Assets, Net of Related Debt	31,976,646	30,306,767	1,669,879
Restricted for:			
Capital Projects	128,034	58,864	69,170
Debt Service	1,268,435	1,432,026	(163,591)
Street Construction and Maintenance	469,030	499,744	(30,714)
Recreation Services and Programs	1,273,768	1,419,901	(146,133)
Police Services and Programs	57,131	57,565	(434)
Fire Services	139,954	176,505	(36,551)
Other Purposes	402,490	304,026	98,464
Unrestricted	3,689,231	2,847,671	841,560
<i>Total Net Assets</i>	<u>\$ 39,404,719</u>	<u>\$ 37,103,069</u>	<u>\$ 2,301,650</u>

The largest portion of the City's net assets (81.15 percent) is investments in capital assets (e.g. land, right of ways, 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 \$724,848, from 2009 to 2010. The City's total liabilities decreased \$3,026,498, for the same period. The most significant change in assets was the decrease in capital assets, net of over \$1.275 million. Net capital assets decreased because the City began depreciating the State Route 82 Widening project.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Table 2 shows the changes in net assets for the years ended December 31, 2010 and 2009.

Table 2
Changes in Net Assets

	Governmental Activities		Change
	2010	2009	
Revenues			
Program Revenues:			
Charges for Services	\$ 2,637,713	\$ 2,336,272	\$ 301,441
Operating Grants and Contributions	705,510	964,300	(258,790)
Capital Grants and Contributions	2,428,972	1,233,481	1,195,491
<i>Total Program Revenues</i>	<u>5,772,195</u>	<u>4,534,053</u>	<u>1,238,142</u>
General Revenues:			
Property Taxes	2,509,156	2,236,740	272,416
Municipal Income Taxes	5,954,660	6,220,408	(265,748)
Grants and Entitlements, not restricted	1,395,364	1,079,045	316,319
Interest	86,182	73,061	13,121
Miscellaneous	22,496	50,880	(28,384)
<i>Total General Revenues</i>	<u>9,967,858</u>	<u>9,660,134</u>	<u>307,724</u>
<i>Total Revenues</i>	<u>15,740,053</u>	<u>14,194,187</u>	<u>1,545,866</u>
Program Expenses			
General Government	2,240,940	2,508,657	(267,717)
Security of Persons and Property	5,274,018	5,383,911	(109,893)
Public Health Services	205,237	212,896	(7,659)
Transportation	2,659,524	2,791,687	(132,163)
Community Environment	438,418	452,609	(14,191)
Basic Utility Services	561,750	563,984	(2,234)
Leisure Time Activities	1,575,381	1,790,080	(214,699)
Interest and Fiscal Charges	483,135	574,796	(91,661)
<i>Total Program Expenses</i>	<u>13,438,403</u>	<u>14,278,620</u>	<u>(840,217)</u>
Change in Net Assets	2,301,650	(84,433)	2,386,083
Net Assets Beginning of Year	37,103,069	37,187,502	(84,433)
Net Assets End of Year	<u>\$ 39,404,719</u>	<u>\$ 37,103,069</u>	<u>\$ 2,301,650</u>

Governmental Activities

The City's net assets for governmental activities increased \$2,301,650 during 2010. Table 2 indicates total revenues increased by \$1,545,866 or 10.89 percent. At the same time program expenses decreased by \$840,217 or 5.88 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 2010, 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 2010 increased by \$1,238,142. Operating grants and contributions decreased \$258,790, capital grants and contributions increased \$1,195,491 and charges for services increased \$301,441.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Total general revenues for 2010 increased by \$307,724 compared to 2009. This increase is due to the increase in property tax and grants and entitlement revenue for 2010. The income tax revenues for 2010 were \$5,954,660. Of the \$15,740,053 in total revenues, income tax accounts for 37.83 percent of the total governmental revenues. Property taxes for 2010 were \$2,509,156.

General revenues from grants and entitlements, such as local government funds, are also revenue generators. General revenues from grants and entitlements increased \$316,319.

During 2010, the City experienced a 5.88 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 2.04 percent in 2010 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 \$2,240,940 for 2010.

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 and other financing sources of \$22,870,003 and expenditures and other financing uses of \$19,931,806. 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 \$2,561,756 on a modified accrual basis. This is an increase of \$1,131,489 from the 2009 ending balance.

The family recreation center fund ended the year with a fund balance of \$1,175,622. The \$106,845 decrease is due to the decrease in expenditures not being enough to offset the loss of revenues related to the center.

The special assessments bond retirement fund ended the year with a fund balance of \$21,510. This is a decrease of \$3,368 from the year-end balance in 2009.

The State route 82, widening phase II and III fund ended the year with a fund balance of \$3,583. This is down \$9,816 from the year-end balance in 2009.

For all governmental funds, the end of year balances increased \$2,938,197 from \$1,896,906 in 2009 to \$4,835,103 in 2010. The available fund balance for all funds is 23.99 percent of the amount spent in total in 2010.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(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 \$9,856,489 and the final budgeted revenues and other financing sources were \$9,856,489. Actual revenues of \$9,973,431 were \$116,942 more than the final amended budget, due to the City receiving more in property taxes, municipal income taxes, charges for services, and intergovernmental revenues than anticipated.

The original budget estimated expenditures and other financing uses were \$9,651,663. The final budgeted expenditures and other financing uses of \$9,632,763 were decreased from the original appropriation due to the departments fewer expenditures. Actual expenditures and other financing uses were \$9,403,692. Expenditures were \$229,071 or 2.38 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	
	2010	2009
Land	\$7,150,851	\$7,150,851
Right of ways	218,130	0
Construction in Progress	97,032	3,950,535
Buildings and Improvements	9,385,261	9,632,470
Machinery and Equipment	986,866	1,157,180
Furniture and Fixtures	4,890	5,734
Vehicles	1,711,460	1,732,542
Infrastructure		
Roads	12,347,971	9,422,219
Water Mains	4,386,574	4,507,357
Storm Sewers	8,528,428	8,761,695
Traffic Signals	129,041	155,583
Bridges	444,019	189,827
<i>Totals</i>	<u>\$45,390,523</u>	<u>\$46,665,993</u>

Total capital assets, net of depreciation for governmental activities of the City for 2010 were \$45,390,523, a \$1,275,470 decrease from 2009. The decrease is primarily due to \$1,833,117 in depreciation. The decrease was then offset by current year additions of approximately \$579,066. 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, 2010
(Unaudited)

Long-Term Obligations

On December 31, 2010, the City of Macedonia had \$11,232,872 in general obligation bonds, \$1,509,100 in special assessment bonds, \$560,139 in OPWC loans and \$111,766 in capital leases outstanding.

Table 4
Outstanding Long-Term Obligations at End of Year

	Governmental	
	2010	2009
General Obligation Bonds	\$ 11,232,872	\$ 6,813,847
Special Assessment Bonds	1,509,100	1,599,800
Long-Term Notes	-	150,000
State Infrastructure Bank Loans	-	5,102,129
OPWC Loan	560,139	594,087
Capital Leases	111,766	151,363
Compensated Absences Payable	593,157	619,250
Totals	\$ 14,007,034	\$ 15,030,476

The City has issued general obligation bonds for various purposes and for the Recreation Center and City Hall/Safety Center. There is \$11,232,872 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. Two bond issues are eligible to be refinanced this year, and an estimated savings of over \$300,000 in interest payments may be realized without extending the maturity dates.

Outstanding debt is well below the City's debt capacity. The City consolidated bonds and notes in 2010 with favorable interest rates based on the timing of the market and the Aa3 credit rating by Moody's.

A voter approved three year .25% increase in income taxes will further help the City restore services and replace necessary capital items. The City responded to the decreased income tax collections and reduced the Citywide payroll by over \$650,000 in salaries from all departments in 2010.

City of Macedonia, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

The budget for fiscal year 2011 has been reduced by approximately \$500,000 which includes layoffs of full-time and part-time employees and a continued reduction in capital spending. Going forward the income tax collections are up over 10% from 2010 and four new businesses are poised to relocate in 2011 that is expected to bring up to 100 total jobs to 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 provided approximately \$130,000 to the City's general fund revenues during 2010. 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.

CITY OF MACEDONIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 4,166,389
Receivables:	
Income taxes	1,804,980
Real and other taxes	2,226,319
Accounts	131,123
Special assessments	1,576,478
Payments in lieu of taxes	25,160
Accrued interest	15,635
Due from other governments	629,410
Materials and supplies inventory	82,516
Prepayments	51,776
Unamortized bond issue costs	132,951
Capital assets:	
Nondepreciable capital assets	7,466,013
Depreciable capital assets, net	37,924,510
Total capital assets, net	45,390,523
Total assets	56,233,260
Liabilities:	
Accounts payable	184,397
Contracts payable	108,301
Accrued wages and benefits payable	96,678
Due to other governments	349,621
Accrued interest payable	103,165
Unearned revenue	1,979,345
Long-term liabilities:	
Due within one year	1,295,610
Due in more than one year	12,711,424
Total liabilities	16,828,541
Net assets:	
Invested in capital assets, net of related debt	31,976,646
Restricted for:	
Capital projects	265,728
Debt service	1,130,741
Street construction and maintenance	469,030
Recreation services and programs	1,273,768
Fire services	139,954
Police services and programs	57,131
Other purposes	402,490
Unrestricted	3,689,231
Total net assets	\$ 39,404,719

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF MACEDONIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government.	\$ 2,240,940	\$ 414,703	\$ 3,085	\$ -	\$ (1,823,152)
Security of persons and property . . .	5,274,018	726,702	80,660	-	(4,466,656)
Public health and welfare	205,237	-	-	-	(205,237)
Transportation.	2,659,524	30,329	619,982	2,428,972	419,759
Community environment	438,418	347,120	-	-	(91,298)
Basic utility services	561,750	137,209	-	-	(424,541)
Leisure time activity.	1,575,381	981,650	1,783	-	(591,948)
Interest and fiscal charges.	483,135	-	-	-	(483,135)
Total governmental activities.	\$ 13,438,403	\$ 2,637,713	\$ 705,510	\$ 2,428,972	(7,666,208)
General revenues:					
Property taxes levied for:					
					1,835,594
					380,851
					121,709
					171,002
Income taxes levied for:					
					5,271,038
					683,622
Grants and entitlements not restricted					
					1,395,364
					86,182
					22,496
Total general revenues					9,967,858
Change in net assets					2,301,650
Net assets at beginning of year.					37,103,069
Net assets at end of year					\$ 39,404,719

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MACEDONIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Family Recreation Center	Special Assessments Bond Retirement
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 1,797,554	\$ 1,086,160	\$ 21,510
Receivables:			
Income taxes.	1,547,229	257,751	-
Real and other taxes	1,687,249	-	-
Accounts.	129,322	-	-
Special assessments	344,157	-	1,212,396
Payments in lieu of taxes.	-	-	-
Accrued interest	15,635	-	-
Due from other governments.	281,228	-	-
Materials and supplies inventory.	2,000	-	-
Prepayments	37,133	4,134	-
Total assets	<u>\$ 5,841,507</u>	<u>\$ 1,348,045</u>	<u>\$ 1,233,906</u>
Liabilities:			
Accounts payable.	\$ 45,689	\$ 23,247	\$ -
Contracts payable.	-	-	-
Accrued wages and benefits payable	70,269	6,604	-
Due to other governments	186,046	20,847	-
Deferred revenue	1,513,165	121,725	1,212,396
Unearned revenue	1,464,582	-	-
Total liabilities	<u>3,279,751</u>	<u>172,423</u>	<u>1,212,396</u>
Fund balances:			
Reserved for encumbrances	142,455	25,159	-
Reserved for supplies inventory	2,000	-	-
Reserved for prepayments	37,133	4,134	-
Unreserved:			
Designated for emergency reserves.	500,000	-	-
Unreserved, undesignated, reported in:			
General fund.	1,880,168	-	-
Special revenue funds	-	1,146,329	-
Debt service fund	-	-	21,510
Capital projects funds	-	-	-
Total fund balances.	<u>2,561,756</u>	<u>1,175,622</u>	<u>21,510</u>
Total liabilities and fund balances	<u>\$ 5,841,507</u>	<u>\$ 1,348,045</u>	<u>\$ 1,233,906</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

State Route 82 Widening Phase II and Phase III	Other Governmental Funds	Total Governmental Funds
\$ 4,381	\$ 1,256,784	\$ 4,166,389
-	-	1,804,980
-	539,070	2,226,319
-	1,801	131,123
-	19,925	1,576,478
-	25,160	25,160
-	-	15,635
-	348,182	629,410
-	80,516	82,516
-	10,509	51,776
<u>\$ 4,381</u>	<u>\$ 2,281,947</u>	<u>\$ 10,709,786</u>
\$ 798	\$ 114,663	\$ 184,397
-	108,301	108,301
-	19,805	96,678
-	142,728	349,621
-	309,055	3,156,341
-	514,763	1,979,345
<u>798</u>	<u>1,209,315</u>	<u>5,874,683</u>
-	216,916	384,530
-	80,516	82,516
-	10,509	51,776
-	-	500,000
-	-	1,880,168
-	537,546	1,683,875
-	-	21,510
<u>3,583</u>	<u>227,145</u>	<u>230,728</u>
<u>3,583</u>	<u>1,072,632</u>	<u>4,835,103</u>
<u>\$ 4,381</u>	<u>\$ 2,281,947</u>	<u>\$ 10,709,786</u>

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CITY OF MACEDONIA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total governmental fund balances		\$	4,835,103
<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.			45,390,523
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Income taxes receivable	\$	852,418	
Real and other taxes receivable		241,604	
Accounts receivable		71,713	
Intergovernmental receivable		414,128	
Special assessments receivable		1,576,478	
Total		3,156,341	3,156,341
On the statement of net assets interest is accrued on outstanding bonds and loans payable, whereas in governmental funds, interest is accrued when due.			(103,165)
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.			132,951
Unamortized deferred charges on refundings are not recognized in governmental funds.			8,808
Unamortized premiums on bond issuance are not recognized in governmental funds.			(146,680)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(593,157)	
General obligation bonds		(11,095,000)	
Special assessment bonds		(1,509,100)	
OPWC loans		(560,139)	
Capital lease obligation		(111,766)	
Total		(13,869,162)	(13,869,162)
Net assets of governmental activities		\$	39,404,719

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MACEDONIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Family Recreation Center	Special Assessments Bond Retirement
Revenues:			
Income taxes	\$ 5,466,417	\$ 716,179	\$ -
Real and other taxes.	1,806,294	-	-
Charges for services.	687,557	811,845	-
Licenses and permits	327,398	-	-
Fines and forfeitures	399,430	-	-
Intergovernmental.	1,289,224	-	-
Special assessments	44,113	-	187,896
Investment income.	86,182	-	-
Rental income	20,127	-	-
Contributions and donations.	1,195	-	-
Payments in lieu of taxes.	-	-	-
Other	21,917	1,783	-
Total revenues	10,149,854	1,529,807	187,896
Expenditures:			
Current:			
General government	2,004,138	-	12,578
Security of persons and property	4,338,533	-	-
Public health and welfare.	204,600	-	-
Transportation	-	-	-
Community environment	424,953	-	-
Basic utility services.	144,690	-	-
Leisure time activity	-	997,571	-
Capital outlay	1,989	-	-
Debt service:			
Principal retirement.	381,144	476,573	124,648
Interest and fiscal charges	144,868	162,508	75,038
Bond issuance costs	-	-	-
Total expenditures	7,644,915	1,636,652	212,264
Excess/deficiency of revenues over/under expenditures.	2,504,939	(106,845)	(24,368)
Other financing sources (uses):			
Bond issuance.	-	-	-
Sale of capital assets.	250	-	-
Transfers in	-	-	21,000
Transfers (out).	(1,373,700)	-	-
Premium on bond issuance	-	-	-
Total other financing sources (uses)	(1,373,450)	-	21,000
Net change in fund balances	1,131,489	(106,845)	(3,368)
Fund balances (deficit) at beginning of year	1,430,267	1,282,467	24,878
Fund balances at end of year	\$ 2,561,756	\$ 1,175,622	\$ 21,510

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

State Route 82 Widening Phase II and Phase III	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 6,182,596
-	492,049	2,298,343
-	246,256	1,745,658
-	28,200	355,598
-	16,387	415,817
2,273,332	1,016,897	4,579,453
-	30,329	262,338
-	1,490	87,672
-	14,610	34,737
-	3,040	4,235
-	171,002	171,002
684	44,377	68,761
<u>2,274,016</u>	<u>2,064,637</u>	<u>16,206,210</u>
-	175,264	2,191,980
-	671,761	5,010,294
-	-	204,600
-	1,707,632	1,707,632
-	11,544	436,497
-	62,133	206,823
-	388,263	1,385,834
225,219	339,640	566,848
4,557,365	731,644	6,271,374
39,235	32,452	454,101
122,123	-	122,123
<u>4,943,942</u>	<u>4,120,333</u>	<u>18,558,106</u>
<u>(2,669,926)</u>	<u>(2,055,696)</u>	<u>(2,351,896)</u>
2,515,167	2,614,833	5,130,000
-	14,900	15,150
-	1,352,700	1,373,700
-	-	(1,373,700)
144,943	-	144,943
<u>2,660,110</u>	<u>3,982,433</u>	<u>5,290,093</u>
(9,816)	1,926,737	2,938,197
13,399	(854,105)	1,896,906
<u>\$ 3,583</u>	<u>\$ 1,072,632</u>	<u>\$ 4,835,103</u>

CITY OF MACEDONIA

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, 2010

Net change in fund balances - total governmental funds	\$	2,938,197
<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 depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 579,066	
Current year depreciation	(1,833,117)	
Total		(1,254,051)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(21,419)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(227,936)	
Real and other taxes	39,811	
Accounts	15,965	
Intergovernmental revenues	(86,022)	
Special assessments	(207,975)	
Total		(466,157)
Proceeds of bonds are reported as an other financing source in the governmental funds, however, in the statement of activities they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(5,130,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		6,271,374
Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the fiscal year:		
Premium on bonds	(144,943)	
Bond issuance costs	122,123	
Total		(22,820)
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	(26,381)	
Amortization of deferred loss on refunding	(1,468)	
Amortization of issuance costs	(3,571)	
Amortization of premium on bonds	2,386	
Total		(29,034)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		15,560
Change in net assets of governmental activities	\$	2,301,650

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MACEDONIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,710,263	\$ 1,710,263	\$ 1,775,764	\$ 65,501
Municipal income taxes	5,247,000	5,247,000	5,373,965	126,965
Charges for services	612,900	612,900	638,553	25,653
Fines, licenses and permits	805,001	805,001	741,200	(63,801)
Intergovernmental	1,263,325	1,263,325	1,301,807	38,482
Special assessments	40,000	40,000	44,113	4,113
Interest	100,000	100,000	59,053	(40,947)
Rentals	26,500	26,500	20,092	(6,408)
Donations	2,000	2,000	1,195	(805)
Other	49,500	49,500	17,439	(32,061)
Total revenues	<u>9,856,489</u>	<u>9,856,489</u>	<u>9,973,181</u>	<u>116,692</u>
Expenditures:				
Current:				
General government	2,281,693	2,285,693	2,102,544	183,149
Security of persons and property	4,500,210	4,500,210	4,497,920	2,290
Public health and welfare	212,130	204,830	204,600	230
Community environment	523,930	523,930	516,392	7,538
Basic utility services	195,500	219,900	182,047	37,853
Capital outlay	-	-	1,989	(1,989)
Debt service:				
Principal retirement	380,000	380,000	380,000	-
Interest and fiscal charges	144,500	144,500	144,500	-
Total expenditures	<u>8,237,963</u>	<u>8,259,063</u>	<u>8,029,992</u>	<u>229,071</u>
Excess/deficiency of revenues over/under expenditures	<u>1,618,526</u>	<u>1,597,426</u>	<u>1,943,189</u>	<u>345,763</u>
Other financing sources (uses):				
Sale of capital assets	-	-	250	250
Transfers (out)	(1,413,700)	(1,373,700)	(1,373,700)	-
Total other financing sources (uses)	<u>(1,413,700)</u>	<u>(1,373,700)</u>	<u>(1,373,450)</u>	<u>250</u>
Net change in fund balances	204,826	223,726	569,739	346,013
Fund balances at beginning of year	829,699	829,699	829,699	-
Prior year encumbrances appropriated	176,562	176,562	176,562	-
Fund balance at end of year	<u>\$ 1,211,087</u>	<u>\$ 1,229,987</u>	<u>\$ 1,576,000</u>	<u>\$ 346,013</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MACEDONIA

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 678,000	\$ 678,000	\$ 700,785	\$ 22,785
Charges for services.	899,000	899,000	811,845	(87,155)
Other	900	900	1,783	883
Total revenues	<u>1,577,900</u>	<u>1,577,900</u>	<u>1,514,413</u>	<u>(63,487)</u>
Expenditures:				
Current:				
Leisure time activity	1,100,500	1,100,500	1,093,774	6,726
Debt service:				
Principal retirement.	505,000	505,000	475,000	30,000
Interest and fiscal charges	<u>173,000</u>	<u>173,000</u>	<u>162,155</u>	<u>10,845</u>
Total expenditures	<u>1,778,500</u>	<u>1,778,500</u>	<u>1,730,929</u>	<u>47,571</u>
Net change in fund balances	(200,600)	(200,600)	(216,516)	(15,916)
Fund balances at beginning of year	1,188,270	1,188,270	1,188,270	-
Prior year encumbrances appropriated	66,511	66,511	66,511	-
Fund balance at end of year	<u>\$ 1,054,181</u>	<u>\$ 1,054,181</u>	<u>\$ 1,038,265</u>	<u>\$ (15,916)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MACEDONIA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2010**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 215,955
Accounts receivable.	20,557
Income tax receivable.	<u>25,165</u>
Total assets	<u>\$ 261,677</u>
Liabilities:	
Accounts payable	\$ 4,910
Intergovernmental payable.	54,340
Deposits held and due to others.	<u>202,427</u>
Total liabilities.	<u>\$ 261,677</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

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, 2010

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, 2010

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.

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.

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; an escrow account for the Route 8 construction project; and finally, a Joint Economic Development District with Northfield Center Township.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 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, 2010, are recorded as deferred revenue on the governmental fund financial statements.

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.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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 2010, the City's investments were limited to money market funds, U.S. Treasury notes, 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, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 amounted to \$86,182, which includes \$55,418 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, 2010, 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.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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, right-of-ways 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
Right-of-Ways	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.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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 \$3,738,842 of restricted net assets, none of which is restricted by enabling legislation.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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 expended 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.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 3 - Changes in Accounting Principles

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the City.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

Note 4 - Compliance and Accountability

Fund Deficits

Fund balances at December 31, 2010 included the following individual fund deficits:

<u>Non-Major Funds</u>	<u>Fund Balance Deficit</u>
Police pension	\$ 23,444
ARRA grants	15,683

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

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 special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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).

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

Net Change in Fund Balance

	General	Family recreation center
Budget basis	\$ 569,739	\$ (216,516)
Net adjustment for revenue accruals	176,673	15,394
Net adjustment for expenditure accruals	195,549	46,382
Encumbrances	189,528	47,895
GAAP basis	\$ 1,131,489	\$ (106,845)

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 6 - Deposits and Investments (Continued)

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;
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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 6 - Deposits and Investments (Continued)

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”.

Deposits

At December 31, 2010, the carrying amount of all City deposits was \$1,658,214. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2010, \$1,481,127 of the City’s bank balance of \$1,731,127 was exposed to custodial risk as discussed below, while \$250,000 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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 6 - Deposits and Investments (Continued)

Investments

All investments are in an internal investment pool. As of December 31, 2010, the City had the following investments:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater Than 24 months
STAR Ohio	\$ 62,459	\$ 62,459	\$ -	\$ -	\$ -	\$ -
Fifth Third money market funds	29,827	29,827	-	-	-	-
FHLB	1,039,313	200,373	100,590	102,262	208,399	427,689
FHLMC	101,993	-	-	101,993	-	-
Freddie Mac	614,843	-	-	-	-	614,843
Fannie Mae	824,110	100,384	-	202,837	101,868	419,021
U.S. Treasury note	50,410	-	-	-	-	50,410
Total	<u>\$ 2,722,955</u>	<u>\$ 393,043</u>	<u>\$ 100,590</u>	<u>\$ 407,092</u>	<u>\$ 310,267</u>	<u>\$ 1,511,963</u>

The weighted average maturity of investments is 2.31 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.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 6 - Deposits and Investments (Continued)

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, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 62,459	2.29
Fifth Third money market funds	29,827	1.10
FHLB	1,039,313	38.17
FHLMC	101,993	3.75
Freddie Mac	614,843	22.58
Fannie Mae	824,110	30.27
U.S. Treasury note	50,410	1.84
Total	<u>\$ 2,722,955</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, 2010:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 1,658,214
Investments	2,722,955
Cash on hand	1,175
Total	<u>\$ 4,382,344</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 4,166,389
Agency funds	215,955
Total	<u>\$ 4,382,344</u>

Note 7 - Receivables

Receivables at December 31, 2010, 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 \$344,157 in the general fund and \$1,212,396 in the special assessment bond retirement fund. At December 31, 2010 the amount of delinquent special assessments was \$7,419.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 7 - Receivables (Continued)

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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, 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.

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.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 7 - Receivables (Continued)

The full tax rate for all City operations for the year ended December 31, 2010 was \$8.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 299,908,890
Commercial/Industrial/Mineral	112,021,370
Tangible Personal Property	376,120
Public Utility	
Real	874,190
Personal	<u>15,600,890</u>
Total Assessed Value	<u>\$ 428,781,460</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, 2010

Note 7 - Receivables (Continued)

C. Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

Governmental activities:	<u>Amount</u>
Local Government	\$ 156,926
Homestead and Rollback	105,107
Prisoner Housing	37,705
Street Construction, Maintenance and Repair	296,073
State Highway	17,335
Law Enforcement	433
Motor Vehicle License	6,828
Liquor Permits	4,372
Court Fine Revenue	<u>4,631</u>
<i>Total Governmental Activities</i>	<u>\$ 629,410</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, 2010

Note 9 - Interfund Transactions

Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Special assessments bond retirement	\$ 21,000
Nonmajor governmental funds	<u>1,352,700</u>
Total	<u>\$ 1,373,700</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, 2010

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance 12/31/09	Additions	Deletions	Balance 12/31/10
Governmental activities:				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 7,150,851	\$ -	\$ -	\$ 7,150,851
Right-of-Ways	-	218,130	-	218,130
Construction in Progress	3,950,535	146,255	(3,999,758)	97,032
<i>Total Capital Assets Not Being Depreciated</i>	<u>11,101,386</u>	<u>364,385</u>	<u>(3,999,758)</u>	<u>7,466,013</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	12,640,233	-	-	12,640,233
Machinery and Equipment	2,238,438	1,869	(54,359)	2,185,948
Furniture and Fixtures	14,247	-	-	14,247
Vehicles	3,425,035	212,812	(62,034)	3,575,813
Infrastructure:				
Roads	19,230,136	3,738,421	-	22,968,557
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	261,337	-	487,926
<i>Total Capital Assets Being Depreciated</i>	<u>55,954,929</u>	<u>4,214,439</u>	<u>(116,393)</u>	<u>60,052,975</u>
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(3,007,763)	(247,209)	-	(3,254,972)
Machinery and Equipment	(1,081,258)	(172,183)	54,359	(1,199,082)
Furniture and Fixtures	(8,513)	(844)	-	(9,357)
Vehicles	(1,692,493)	(212,475)	40,615	(1,864,353)
Infrastructure:				
Roads	(9,807,917)	(812,669)	-	(10,620,586)
Water Mains	(1,531,775)	(120,783)	-	(1,652,558)
Storm Sewers	(2,901,661)	(233,267)	-	(3,134,928)
Traffic Signals	(322,180)	(26,542)	-	(348,722)
Bridges	(36,762)	(7,145)	-	(43,907)
<i>Total Accumulated Depreciation</i>	<u>(20,390,322)</u>	<u>(1,833,117)</u>	<u>94,974</u>	<u>(22,128,465)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>35,564,607</u>	<u>2,381,322</u>	<u>(21,419)</u>	<u>37,924,510</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 46,665,993</u>	<u>\$ 2,745,707</u>	<u>\$ (4,021,177)</u>	<u>\$ 45,390,523</u>

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 10 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follow:

General government	\$ 82,048
Security of persons and property	255,350
Public health and welfare	637
Leisure time activities	186,847
Basic utility services	354,927
Community environment	324
Transportation	<u>952,984</u>
Total	<u>\$ 1,833,117</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, 2010, the City contracted with the St. Paul Travelers Insurance Company, as follows:

Type of Coverage	Coverage	Deductible
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, 2010

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 2010, 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 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$237,349, \$247,237, and \$271,896, respectively; 92.17% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$12,000 made by the City and \$8,572 made by the plan members.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

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 2010, 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 \$165,507 and \$167,554 for the year ended December 31, 2010, \$210,692 and \$141,925 for the year ended December 31, 2009, and \$165,535, \$132,679, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 74.02% has been contributed for police and 72.35% has been contributed for firefighters for 2010.

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 does not 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.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 13 - Postretirement Benefit Plans (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% 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 members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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, 2010, 2009, and 2008 were \$135,196, \$178,796, and \$271,896, respectively; 92.17% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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 for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 13 - Postretirement Benefit Plans (Continued)

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, 2010, 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 \$87,622 and \$65,564 for the year ended December 31, 2010, \$93,917 and \$58,361 for the year ended December 31, 2009, and \$111,543 and \$55,536, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 74.02% has been contributed for police and 72.35% has been contributed for firefighters for 2010.

Note 14 - Capital Leases

In prior years, 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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 14 - Capital Leases (Continued)

Capital assets acquired by lease have been capitalized and depreciated as follows as of December 31, 2010:

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>(234,602)</u>
<i>Capital Assets, Net</i>	<u>\$ 540,069</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, 2010.

Year Ending December 31,	Governmental Activities
2011	\$ 47,297
2012	47,297
2013	26,327
2014	<u>1,386</u>
Total	122,307
Less: Amount Representing Interest	<u>(10,541)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 111,766</u>

Note 15 - Notes Payable

Note activity for the year ended December 31, 2010, consisted of the following:

	Outstanding 12/31/09	Issued	Retired	Outstanding 12/31/10
GO/special assessment bond anticipation notes	\$ 1,758,000	\$ -	\$ (1,758,000)	\$ -
Various improvement notes	50,000	-	(50,000)	-
Various improvement notes	-	375,000	(375,000)	-
SIB loans refunding note	<u>-</u>	<u>3,115,000</u>	<u>(3,115,000)</u>	<u>-</u>
<i>Total</i>	<u>\$ 1,808,000</u>	<u>\$ 3,490,000</u>	<u>\$ (5,298,000)</u>	<u>\$ -</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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 15 - Notes Payable (Continued)

The original issue date, interest rate, original issue amount and date of maturity of each of the City's short-term notes follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Date of Maturity</u>
Governmental activities:				
GO/special assessment bond anticipation notes	1.95%	\$ 1,758,000	9/25/2009	9/24/2010
Various improvement notes 2009	1.85%	250,000	5/28/2009	5/28/2010
Various improvement notes 2010	1.67%	375,000	5/27/2010	9/24/2010
SIB loans refunding note	1.50%	3,115,000	1/19/2010	10/19/2010

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:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
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
Various Purpose, 2010	2.00-4.00	5,130,000	December 1, 2030
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 2009	1.85	150,000	May 28, 2010

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 16 - Long-Term Obligations (Continued)

Changes in long-term obligations of the City during 2010 are as follows:

	Balance 12/31/09	Increase	Decrease	Balance 12/31/10	Amounts Due in One Year
General Obligation Bonds					
Various Purpose Bonds, 2001	\$ 5,530,000	\$ -	\$ (685,000)	\$ 4,845,000	\$ 725,000
Refunding Recreation Center, 2003					
Serial Bonds	1,090,000	-	(170,000)	920,000	170,000
Term Bonds	200,000	-	-	200,000	-
Various Purpose Bonds, 2010	-	5,130,000	-	5,130,000	160,000
<i>Total General Obligation Bonds</i>	<u>6,820,000</u>	<u>5,130,000</u>	<u>(855,000)</u>	<u>11,095,000</u>	<u>1,055,000</u>
Special Assessment Bonds					
with Governmental Commitment					
Highland Road Improvement Variance, 2003					
Serial Bonds	355,000	-	(55,000)	300,000	55,000
Term Bonds	605,000	-	-	605,000	-
Highland Road Improvement, 1996	146,000	-	(17,300)	128,700	18,300
North Freeway Drive, 2006	493,800	-	(18,400)	475,400	19,400
<i>Total Special Assessment Bonds</i>	<u>1,599,800</u>	<u>-</u>	<u>(90,700)</u>	<u>1,509,100</u>	<u>92,700</u>
State Infrastructure Bank Loans (SIB)					
Highland Road Grade Separation, 2006	544,764	-	(544,764)	-	-
State Route 82 Widening, 2007	2,627,950	-	(2,627,950)	-	-
State Route 82 Widening, 2008	1,929,415	-	(1,929,415)	-	-
<i>Total State Infrastructure Banks Loans</i>	<u>5,102,129</u>	<u>-</u>	<u>(5,102,129)</u>	<u>-</u>	<u>-</u>
Ohio Public Works Commission Loan (OPWC)					
North Freeway Drive Project, 2005	594,087	-	(33,948)	560,139	33,948
Long Term Notes					
Various Purpose Improvement Note Series 2009	150,000	-	(150,000)	-	-
<i>Total Long Term Notes</i>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Capital Leases	151,363	-	(39,597)	111,766	41,627
Compensated Absences Payable	619,250	40,740	(66,833)	593,157	72,335
Total Governmental					
Long-Term Liabilities	<u>\$ 15,036,629</u>	<u>\$ 5,170,740</u>	<u>\$ (6,338,207)</u>	13,869,162	<u>\$ 1,295,610</u>
				Add: Unamortized Premium	146,680
				Less: Unamortized Deferred Charges on Refunding	(8,808)
				Total on Statement of Net Assets	<u>\$ 14,007,034</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, 2010

Note 16 - Long-Term Obligations (Continued)

The State infrastructure bank loans were issued in 2006, 2007 and 2008. These loans were repaid during 2010 from intergovernmental revenues and a portion of the proceeds from the 2010 various purpose bonds.

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

2003 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 \$1,120,000 as of December 31, 2010.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 16 - Long-Term Obligations (Continued)

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.

2010 Various Purpose Bonds

On September 22, 2010, the City issued \$5,130,000 in general obligation bonds with interest rates varying from 2.0 to 4.0 percent. The bond issue included serial and term bonds.

Optional Redemption - The bonds maturing after December 1, 2020 are subject to prior redemption, by and at the sole option of the City, in whole or in part as selected by the City (in integral multiples of \$5,000), on any date on or after December 1, 2020, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

Mandatory Redemption - The bonds maturing on December 1, 2030 (the term bonds), are subject to mandatory sinking fund redemption requirements, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date, on December 1 of the years shown, and according to, the following schedule:

<u>Year</u>	<u>Principal Amount</u>
2025	\$ 325,000
2026	340,000
2027	350,000
2028	365,000
2029	375,000
2030	380,000

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 16 - Long-Term Obligations (Continued)

Principal and interest requirements to retire the long-term obligations as of December 31, 2010, are as follows:

Years	General Obligation Bonds		Special Assessment Bonds		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2011	\$ 1,055,000	\$ 662,484	\$ 92,700	\$ 67,364	\$ 33,948
2012	1,085,000	1,340,863	99,900	63,487	33,948
2013	1,130,000	1,342,813	102,200	59,297	33,948
2014	1,120,000	1,284,350	104,700	54,880	33,948
2015	1,180,000	469,140	112,300	50,228	33,948
2016 - 2020	2,200,000	1,049,095	520,600	177,786	169,740
2021 - 2025	1,515,000	549,000	433,700	60,033	169,738
2026 - 2030	1,810,000	221,400	43,000	1,743	50,921
Total	<u>\$ 11,095,000</u>	<u>\$ 6,919,145</u>	<u>\$ 1,509,100</u>	<u>\$ 534,818</u>	<u>\$ 560,139</u>

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, 2010, the City's total debt margin was \$34,046,765 (including available funds of \$159,204) and the unvoted debt margin was \$12,467,294.

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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 17 - Jointly Governed Organization (Continued)

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 2010. 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.

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 2010, the JEDD had total distributions of \$250,524 of which \$125,262 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.

City of Macedonia, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2010

Note 19 - Tax Increment Financing District (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has established a TIF. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as “payments in lieu of taxes (PILOT)”, as though the TIF had not been established. These “PILOTS” are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$171,002 in 2010 as reported in the fund financial statements. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT’s cease and property taxes then apply to the increased property values.

Note 20 - 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, 2010.

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.



Dave Yost • 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 16, 2011. 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 opinion 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 16, 2011.

We intend this report solely for the information and use of management, the audit committee, City Council, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 16, 2011

**CITY OF MACEDONIA
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	<p>Ohio Rev. Code Section 5705.41(D) - 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.</p>	No	Partially corrected. See Management Letter
2009-002	<p>Ohio Rev. Code Section 5705.42 - 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.</p>	Yes	Finding No Longer Valid
2009-003	<p>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.</p>	Yes	Finding No Longer Valid

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Dave Yost • 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
OCTOBER 11, 2011**