

Dave Yost • Auditor of State

**CITY OF MUNROE FALLS
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Munroe Falls
Summit County
43 Munroe Falls Avenue
Munroe Falls, Ohio 44262

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Munroe Falls, 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Munroe Falls, Summit County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Fire Department Special Levy Fund, and EMS Special Levy Fund 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 9, 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 initial "D".

Dave Yost
Auditor of State

September 9, 2011

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The management's discussion and analysis of the City of Munroe Falls' (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 the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are:

- The City continues to pursue economic development efforts for the limited land that is available. Primary emphasis is in the Town Center, where there is opportunity to capitalize on the natural beauty of the Cuyahoga River.
- Even though we are in uncertain economic times, the City has experienced a slight increase in municipal income taxes collected, which is the largest revenue source. The City has made aggressive efforts at reducing many operating costs and controlling the growth of personnel costs. This will provide an assurance to the residents of our community that the City will continue to maintain the highest level of public safety, recreation, street and sewer infrastructures. The City monitors its sources of revenue very closely for any changes or fluctuations and continually looks for new revenue sources.

Using This 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 Munroe Falls as a financial whole or as an entire operating entity. The statements proceed to 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 Munroe Falls as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities 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 Munroe Falls, 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 net assets. The changes in net assets are important because it tells the reader whether, for the City as a whole, the financial position of the City 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 Munroe Falls' Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 8. 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 which account for the multitude of services and facilities provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Munroe Falls, the major funds are the general, fire department special levy, EMS special levy, general obligation bond retirement, capital improvement, and the water enterprise fund.

Governmental Funds

Most of the City's activities are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at yearend available for spending in future periods. Governmental funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that are expected to 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.

Proprietary Funds

The City's only proprietary fund (the water fund) is an enterprise fund which uses the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Fiduciary Funds

Fiduciary funds are used 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. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's only fiduciary fund is an agency fund.

The City 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		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$4,787,293	\$4,977,002	\$2,724,455	\$2,603,926	\$7,511,748	\$7,580,928
Capital Assets, Net	6,635,506	6,442,574	2,033,409	2,131,629	8,668,915	8,574,203
<i>Total Assets</i>	<u>11,422,799</u>	<u>11,419,576</u>	<u>4,757,864</u>	<u>4,735,555</u>	<u>16,180,663</u>	<u>16,155,131</u>
Liabilities						
Current and Other Liabilities	872,369	935,765	11,018	26,904	883,387	962,669
Long-Term Liabilities:						
Due Within One Year	372,880	359,387	84,211	83,333	457,091	442,720
Due in More than One Year	886,061	1,183,324	275,045	359,256	1,161,106	1,542,580
<i>Total Liabilities</i>	<u>2,131,310</u>	<u>2,478,476</u>	<u>370,274</u>	<u>469,493</u>	<u>2,501,584</u>	<u>2,947,969</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	5,817,767	5,307,726	1,709,683	1,733,453	7,527,450	7,041,179
Restricted:						
Capital Projects	488,164	666,666	0	0	488,164	666,666
Debt Service	45,350	37,446	0	0	45,350	37,446
Street Maintenance and Repair	382,525	462,860	0	0	382,525	462,860
Fire Department	235,224	225,572	0	0	235,224	225,572
EMS	348,188	308,424	0	0	348,188	308,424
Other Purposes	425,884	356,020	0	0	425,884	356,020
Unrestricted	1,548,387	1,576,386	2,677,907	2,532,609	4,226,294	4,108,995
<i>Total Net Assets</i>	<u>\$9,291,489</u>	<u>\$8,941,100</u>	<u>\$4,387,590</u>	<u>\$4,266,062</u>	<u>\$13,679,079</u>	<u>\$13,207,162</u>

By comparing assets and liabilities, one can see the overall position of the City has improved as evidenced by the increase in net assets. Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal years 2010 and 2009.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services and Sales	\$308,895	\$282,188	\$842,371	\$842,191	\$1,151,266	\$1,124,379
Operating Grants and Contributions	368,261	324,486	0	0	368,261	324,486
Capital Grants and Contributions	282,313	5,753	0	0	282,313	5,753
<i>Total Program Revenues</i>	<u>959,469</u>	<u>612,427</u>	<u>842,371</u>	<u>842,191</u>	<u>1,801,840</u>	<u>1,454,618</u>
General Revenues:						
Property Taxes	801,341	784,621	0	0	801,341	784,621
Income Tax	1,049,332	960,585	0	0	1,049,332	960,585
Grants and Entitlements not Restricted to Specific Programs	397,544	406,272	0	0	397,544	406,272
Interest	91,897	24,838	0	0	91,897	24,838
Other	78,862	143,680	15,009	1,916	93,871	145,596
<i>Total General Revenues</i>	<u>2,418,976</u>	<u>2,319,996</u>	<u>15,009</u>	<u>1,916</u>	<u>2,433,985</u>	<u>2,321,912</u>
<i>Total Revenues</i>	<u>3,378,445</u>	<u>2,932,423</u>	<u>857,380</u>	<u>844,107</u>	<u>4,235,825</u>	<u>3,776,530</u>
Program Expenses:						
General Government	747,569	669,115	0	0	747,569	669,115
Security of Persons and Property	1,624,670	1,709,407	0	0	1,624,670	1,709,407
Transportation	455,420	398,172	0	0	455,420	398,172
Public Health and Welfare	39,749	40,331	0	0	39,749	40,331
Leisure Time Activities	70,475	43,096	0	0	70,475	43,096
Water Operations	0	0	734,470	731,980	734,470	731,980
Interest and Fiscal Charges	91,555	99,538	0	0	91,555	99,538
<i>Total Program Expenses</i>	<u>3,029,438</u>	<u>2,959,659</u>	<u>734,470</u>	<u>731,980</u>	<u>3,763,908</u>	<u>3,691,639</u>
Excess of Revenues Over (Under) Expenses	349,007	(27,236)	122,910	112,127	471,917	84,891
Transfers	1,382	553	(1,382)	(553)	0	0
Change in Net Assets	350,389	(26,683)	121,528	111,574	471,917	84,891
Net Assets Beginning of Year	8,941,100	8,967,783	4,266,062	4,154,488	13,207,162	13,122,271
Net Assets End of Year	<u>\$9,291,489</u>	<u>\$8,941,100</u>	<u>\$4,387,590</u>	<u>\$4,266,062</u>	<u>\$13,679,079</u>	<u>\$13,207,162</u>

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

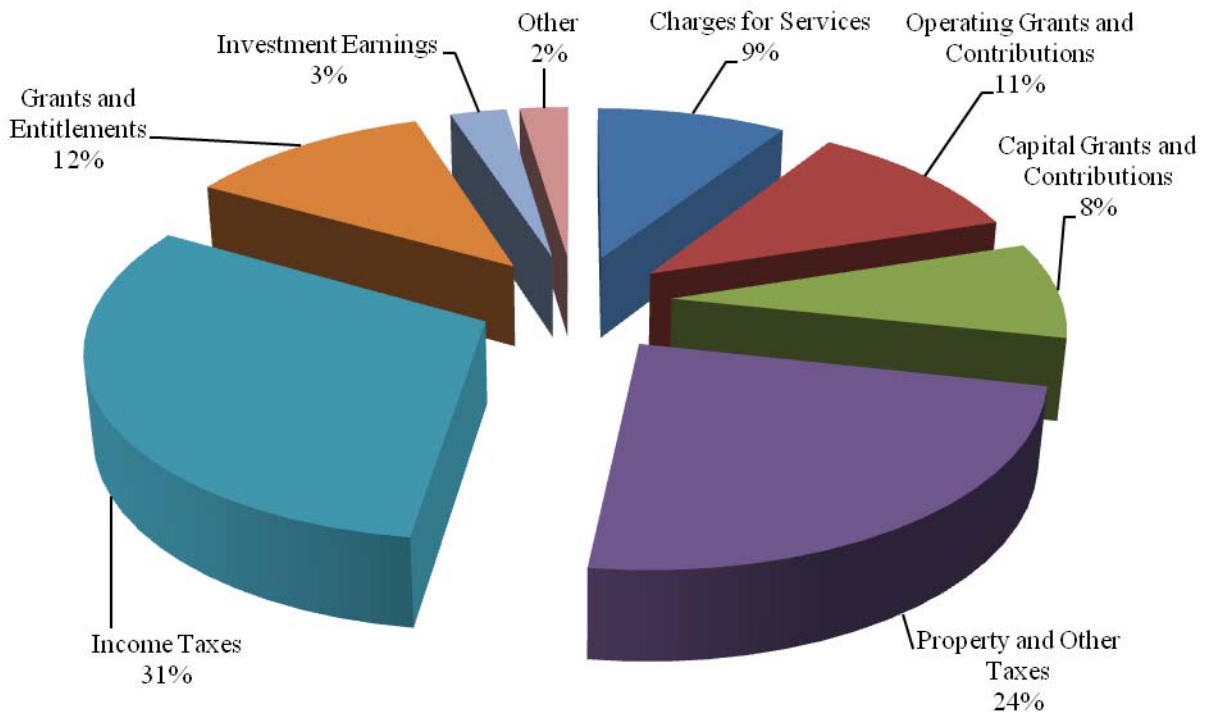
Governmental Activities

Several revenue sources fund the City's governmental activities with City income tax being the largest. An income tax of 2 percent is levied on substantially all income earned within the City. In addition, income of residents earned outside of the City is subject to income tax; however, credit is allowed for income taxes paid to other municipalities and to the Joint Economic Development District up to 100 percent of the City's current tax rate. Income tax revenues increased slightly in 2010, mainly due to improvements in the economy and effective tax collections.

General revenues from property taxes and local government funds are also significant revenue generators. Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January of that preceding year, the lien date. Assessed values are established by the County Fiscal Officer at 35 percent of the appraised market value. All property is required to be revalued every six years with triennial updates. Property tax revenues increased slightly but with no material difference between 2010 and 2009.

Investment income for 2010 was slightly more than in 2009 as interest rates remain in line with the prior year's rates. Operating grants and contributions and capital grants increased in 2010. This was due mainly to an increase in the availability of grants for the City.

2010 Revenues by Source

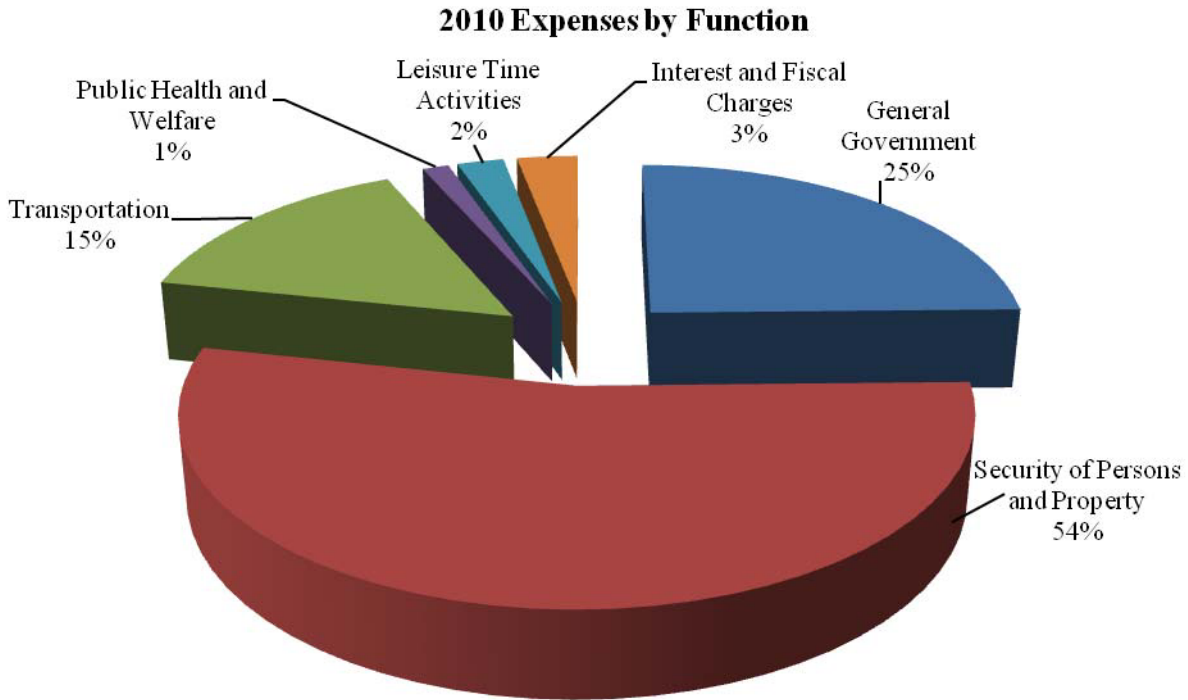


The police department continues to operate very efficiently utilizing full and part time personnel. The police department is funded primarily from revenues generated through the general fund. The fire department is primarily a volunteer force and works from two fire stations. Operations are funded primarily through fire and EMS special levies and rescue billing collections. Security of persons and property spending was less than the previous year due to diligent budgeting and cost control measures.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

General government expenses include such services as planning, zoning, administration, finance, legal, legislature, lands and buildings, and engineering. These expenses increased in 2010 largely due to increased repairs and maintenance, hospitalization and worker's compensation costs.

Transportation costs include street lighting, snow and ice removal and the costs of maintaining the City streets. These costs were more in 2010 because of higher material prices for items such as gasoline and increased usage of salt due to a hard winter.



The City's Funds

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

Governmental Funds

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,319,534 and expenditures of \$3,507,045. The most significant fund is the general fund with a year-end balance of \$1,706,949, which included an unreserved fund balance of \$1,660,292, compared to annual expenditures of \$1,869,815. The City focuses on its governmental funds to provide a financial picture on activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2010. The information provided is useful to determine the City's available balances. One balance in particular that the City has focused on maintaining is the unreserved fund balances that demonstrate the City's solid cash reserves. At December 31, 2010, the City's combined ending cash and cash equivalents balance was \$3,204,277. Along those same lines, the City's 2010 ending combined governmental fund balance is \$3,493,585. Of this balance, \$3,379,875 is classified as unreserved fund balances. The reserved portions are not spendable because they are committed to satisfy carry-forward purchase order encumbrances of \$113,710.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The fire department special levy and EMS special levy special revenue funds had revenues of \$178,154 and \$334,683, respectively. The fire department special levy fund had an increase of fund balance, ending the year with a fund balance of \$224,949. The EMS special levy fund also had an increase of fund balance, ending the year with a fund balance of \$333,796.

The general obligation bond retirement fund had a fund balance of \$17,818, all of which was unreserved, and an ending cash and cash equivalents balance of \$17,818. Revenues for the year were \$217,745 with expenditures of \$232,731.

The capital improvement fund had a fund balance of \$351,288, of which \$296,910 was unreserved, leaving \$54,378 reserved for encumbrances. The cash and cash equivalents balance was \$342,304. Revenues for the year were \$407,180 with expenditures of \$479,216.

Business-Type Fund

As mentioned earlier, the City's lone business-type activity is the water fund. Net assets of the water fund increased in 2010 by \$121,528. This was mainly due to an increase in water charges for services. The City was also able to keep the costs of running the City's water down in 2010, while still maintaining the same quality of service.

The City continues the process of identifying the long-term maintenance and replacement needs of its water line infrastructure and other capital assets requirements. A water model study was completed in 2004 which identified all waterline capacities throughout the entire City. This has enabled the Service Department to better estimate replacement and repair costs.

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. At the direction of Council, all capital projects and requests for capital purchases must be reviewed and approved individually by Council. Recommendations and requests for budget changes are referred to the Finance Committee of City Council for review, after which they are sent to the formal Council meeting for ordinance enactment on the change. The City's legal level of control has been established by Council at the personal services and other object level within each fund and department.

The most significant budgeted fund is the general fund. The general fund supports many major activities such as the police, building and planning departments as well as the legislative and most executive activities. Some major capital projects are funded with general fund dollars. By legislation, these funds are transferred from the general fund to capital projects funds where the revenue and expenditures for the capital improvement are tracked and monitored. For the general fund, the original budgeted revenues were \$2,301,951 and the final budgeted amount was \$2,003,751. The majority of this \$298,200 difference was due to lower anticipated income tax revenue. Although the original appropriations were slightly increased during the year, the City continued to maintain a respectable level of liquidity in the general fund by reducing final expenditures and thus maintaining unrestricted cash at year-end. The variance from final budget to actual expenditures in general government was due to a concerted effort by the City to reduce expenditures.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$1,653,686	\$1,653,686	\$31,689	\$31,689	\$1,685,375	\$1,685,375
Land Improvements	241,143	163,689	0	0	241,143	163,689
Buildings and Improvements	2,794,156	2,872,517	556,317	575,426	3,350,473	3,447,943
Equipment	787,540	884,635	104,961	134,432	892,501	1,019,067
Infrastructure	1,158,981	868,047	1,340,442	1,390,082	2,499,423	2,258,129
Totals	<u>\$6,635,506</u>	<u>\$6,442,574</u>	<u>\$2,033,409</u>	<u>\$2,131,629</u>	<u>\$8,668,915</u>	<u>\$8,574,203</u>

Total governmental capital assets for the City of Munroe Falls as of December 31, 2010 were \$6,635,506, which was an increase of \$192,932 from the prior year. Additions were primarily made to land improvements and infrastructure. For additional information see Note 7 to the basic financial statements.

Debt

On December 31, 2010, the City of Munroe Falls had \$1,477,138 in outstanding debt from general obligation bonds, capital appreciation bonds and capital leases. This represents obligations backed by the full faith and credit of the government. Table 4 summarizes bonds and loans outstanding as of December 31, 2010.

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activity		Total	
	2010	2009	2010	2009	2010	2009
Refunding Bond - Series A						
General Obligation Bonds	\$200,000	\$395,000	\$0	\$0	\$200,000	\$395,000
Capital Appreciation Bonds	130,000	130,000	0	0	130,000	130,000
Accretion on Capital						
Appreciation Bonds	292,649	241,143	0	0	292,649	241,143
Refunding Bond - Series B						
General Obligation Bonds	60,744	77,411	359,256	442,589	420,000	520,000
Capital Asset Acquisition Bonds						
General Obligation Bonds	285,000	370,000	0	0	285,000	370,000
Premium on Bonds	7,494	9,992	0	0	7,494	9,992
Capital Leases	141,995	162,437	0	0	141,995	162,437
Totals	<u>\$1,117,882</u>	<u>\$1,385,983</u>	<u>\$359,256</u>	<u>\$442,589</u>	<u>\$1,477,138</u>	<u>\$1,828,572</u>

The general obligation bonds and capital appreciation bonds were for the City Hall, Safety Building Expansion, Water Improvements and Capital Asset Acquisition and are paid from property tax levies and the water fund.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

The capital lease was for the lease-purchase of a new fire truck. Payments for the fire truck began in 2005. For additional information see Note 12 to the basic financial statements.

Current Financial Related Activities

The City of Munroe Falls is challenged with limited areas for development of industrial, commercial, and residential properties. The City Council endeavors to keep debt obligations low. Our finances are planned so that we can pay cash for as many of the facility improvements and acquisitions as possible without jeopardizing liquidity and reserve balance needs. Our Debt and Fund Reserve Policies help to measure and maintain these healthy balances. The City's leadership is committed to controlling and reducing the cost of government operations while still providing the services the citizens need. Efforts are continually made to enhance revenue opportunities.

Our commitment to our residents is full disclosure of the financial position of the City.

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 financial information contact the Director of Finance, David P. Bailey, CPA, 43 Munroe Falls Avenue, Munroe Falls, Ohio 44262, telephone (330) 688-7491, or the website at www.munroefalls.com.

**BASIC FINANCIAL
STATEMENTS**

City of Munroe Falls, Ohio

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,204,277	\$2,496,001	\$5,700,278
Materials and Supplies Inventory	6,995	699	7,694
Accrued Interest Receivable	45,261	0	45,261
Accounts Receivable	98,270	177,528	275,798
Intergovernmental Receivable	386,252	0	386,252
Prepaid Items	27,688	14,697	42,385
Income Taxes Receivable	242,215	0	242,215
Property Taxes Receivable	776,335	0	776,335
Deferred Charges	0	35,530	35,530
Nondepreciable Capital Assets	1,653,686	31,689	1,685,375
Depreciable Capital Assets, Net	4,981,820	2,001,720	6,983,540
<i>Total Assets</i>	<u>11,422,799</u>	<u>4,757,864</u>	<u>16,180,663</u>
Liabilities			
Accounts Payable	20,073	1,862	21,935
Accrued Wages	41,024	2,535	43,559
Intergovernmental Payable	65,341	5,385	70,726
Accrued Interest Payable	2,028	1,236	3,264
Deferred Revenue	743,903	0	743,903
Long-Term Liabilities:			
Due Within One Year	372,880	84,211	457,091
Due In More Than One Year	886,061	275,045	1,161,106
<i>Total Liabilities</i>	<u>2,131,310</u>	<u>370,274</u>	<u>2,501,584</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	5,817,767	1,709,683	7,527,450
Restricted for:			
Capital Projects	488,164	0	488,164
Debt Service	45,350	0	45,350
Street Maintenance and Repair	382,525	0	382,525
Fire Department	235,224	0	235,224
EMS	348,188	0	348,188
Other Purposes	425,884	0	425,884
Unrestricted	1,548,387	2,677,907	4,226,294
<i>Total Net Assets</i>	<u>\$9,291,489</u>	<u>\$4,387,590</u>	<u>\$13,679,079</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$747,569	\$66,074	\$1,027	\$0
Security of Persons and Property	1,624,670	225,111	49,141	0
Transportation	455,420	9,680	318,093	282,313
Public Health and Welfare	39,749	3,862	0	0
Leisure Time Activities	70,475	4,168	0	0
Interest and Fiscal Charges	91,555	0	0	0
<i>Total Governmental Activities</i>	3,029,438	308,895	368,261	282,313
Business-Type Activity:				
Water	734,470	842,371	0	0
<i>Total</i>	<u>\$3,763,908</u>	<u>\$1,151,266</u>	<u>\$368,261</u>	<u>\$282,313</u>

General Revenues

Property and Other Local Taxes Levied for:

General Purposes

Fire Department

EMS

General Obligation Bond Retirement

Income Tax Levied for:

General Purposes

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$680,468)	\$0	(\$680,468)
(1,350,418)	0	(1,350,418)
154,666	0	154,666
(35,887)	0	(35,887)
(66,307)	0	(66,307)
(91,555)	0	(91,555)
(2,069,969)	0	(2,069,969)
<u>0</u>	<u>107,901</u>	<u>107,901</u>
(2,069,969)	107,901	(1,962,068)
262,362	0	262,362
160,390	0	160,390
181,776	0	181,776
196,813	0	196,813
903,583	0	903,583
145,749	0	145,749
397,544	0	397,544
91,897	0	91,897
78,862	15,009	93,871
<u>2,418,976</u>	<u>15,009</u>	<u>2,433,985</u>
<u>1,382</u>	<u>(1,382)</u>	<u>0</u>
350,389	121,528	471,917
<u>8,941,100</u>	<u>4,266,062</u>	<u>13,207,162</u>
<u>\$9,291,489</u>	<u>\$4,387,590</u>	<u>\$13,679,079</u>

City of Munroe Falls, Ohio

Balance Sheet

Governmental Funds

December 31, 2010

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,505,551	\$232,863	\$281,003	\$17,818	\$342,304
Materials and Supplies Inventory	6,995	0	0	0	0
Accrued Interest Receivable	45,261	0	0	0	0
Accounts Receivable	29,153	214	67,794	0	1,109
Intergovernmental Receivable	168,062	24,303	27,543	29,164	12,570
Prepaid Items	23,781	1,445	1,205	0	0
Income Taxes Receivable	213,149	0	0	0	29,066
Property Taxes Receivable	251,784	157,365	178,348	188,838	0
<i>Total Assets</i>	<u>\$2,243,736</u>	<u>\$416,190</u>	<u>\$555,893</u>	<u>\$235,820</u>	<u>\$385,049</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$9,305	\$339	\$328	\$0	\$10,013
Accrued Wages	27,589	3,292	6,416	0	0
Intergovernmental Payable	45,246	5,942	9,462	0	0
Deferred Revenue	454,647	181,668	205,891	218,002	23,748
<i>Total Liabilities</i>	<u>536,787</u>	<u>191,241</u>	<u>222,097</u>	<u>218,002</u>	<u>33,761</u>
Fund Balances					
Reserved for Encumbrances	46,657	0	4,344	0	54,378
Unreserved, Undesignated, Reported in:					
General Fund	1,660,292	0	0	0	0
Special Revenue Funds	0	224,949	329,452	0	0
Debt Service Fund	0	0	0	17,818	0
Capital Projects Funds	0	0	0	0	296,910
<i>Total Fund Balances</i>	<u>1,706,949</u>	<u>224,949</u>	<u>333,796</u>	<u>17,818</u>	<u>351,288</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,243,736</u>	<u>\$416,190</u>	<u>\$555,893</u>	<u>\$235,820</u>	<u>\$385,049</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$3,493,585
		<i>Amounts reported for governmental activities in 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.	6,635,506
\$824,738	\$3,204,277	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
0	6,995	Property Taxes	32,432
0	45,261	Income Taxes	93,150
0	98,270	Grants	297,785
124,610	386,252	Total	423,367
1,257	27,688	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(2,028)
0	242,215	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
0	776,335	General Obligation Bonds	(545,744)
\$950,605	\$4,787,293	Capital Appreciaton Bonds	(422,649)
		Capital Leases	(141,995)
		Premium on Bonds	(7,494)
		Compensated Absences	(141,059)
		Total	(1,258,941)
		<i>Net Assets of Governmental Activities</i>	\$9,291,489
\$88	\$20,073		
3,727	41,024		
4,691	65,341		
83,314	1,167,270		
91,820	1,293,708		
8,331	113,710		
0	1,660,292		
737,756	1,292,157		
0	17,818		
112,698	409,608		
858,785	3,493,585		
\$950,605	\$4,787,293		

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement
Revenues					
Property Taxes	\$263,225	\$160,929	\$182,386	\$196,989	\$0
Income Taxes	842,620	0	0	0	137,437
Special Assessments	0	0	0	0	0
Intergovernmental	398,473	16,650	23,368	20,756	269,743
Interest	82,540	0	0	0	0
Fines, Licenses and Permits	156,470	0	0	0	0
Charges for Services	23,370	0	128,427	0	0
Contributions and Donations	570	0	0	0	0
Other	77,785	575	502	0	0
<i>Total Revenues</i>	<u>1,845,053</u>	<u>178,154</u>	<u>334,683</u>	<u>217,745</u>	<u>407,180</u>
Expenditures					
Current:					
General Government	671,661	2,301	2,608	2,297	0
Security of Persons and Property	1,015,874	163,386	289,528	0	0
Transportation	99,631	0	0	0	0
Public Health and Welfare	39,749	0	0	0	0
Leisure Time Activities	42,900	0	0	0	0
Capital Outlay	0	0	0	0	432,667
Debt Service:					
Principal Retirement	0	0	0	211,667	36,377
Interest and Fiscal Charges	0	0	0	18,767	10,172
<i>Total Expenditures</i>	<u>1,869,815</u>	<u>165,687</u>	<u>292,136</u>	<u>232,731</u>	<u>479,216</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(24,762)</u>	<u>12,467</u>	<u>42,547</u>	<u>(14,986)</u>	<u>(72,036)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	19,829	0
Transfers Out	(9,205)	(2,038)	(2,038)	0	(19,829)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,205)</u>	<u>(2,038)</u>	<u>(2,038)</u>	<u>19,829</u>	<u>(19,829)</u>
<i>Net Change in Fund Balances</i>	(33,967)	10,429	40,509	4,843	(91,865)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>1,740,916</u>	<u>214,520</u>	<u>293,287</u>	<u>12,975</u>	<u>443,153</u>
<i>Fund Balances End of Year</i>	<u>\$1,706,949</u>	<u>\$224,949</u>	<u>\$333,796</u>	<u>\$17,818</u>	<u>\$351,288</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$186,129)
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
		Governmental funds report capital outlays as expenditures.	
		However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
\$0	\$803,529	Capital Asset Additions	455,178
0	980,057	Current Year Depreciation	<u>(262,246)</u>
103	103	Total	192,932
318,807	1,047,797	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
9,357	91,897	Property Taxes	(2,188)
525	156,995	Income Taxes	69,275
0	151,797	Grants	<u>(8,176)</u>
7,927	8,497	Total	58,911
<u>0</u>	<u>78,862</u>	Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
336,719	3,319,534		317,109
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
18,392	697,259	Accrued Interest	905
3,023	1,471,811	Amortization of Bond Premium	2,498
268,197	367,828	Bond Accretion	<u>(51,506)</u>
0	39,749	Total	(48,103)
0	42,900	Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
94,270	526,937		<u>15,669</u>
69,065	317,109	<i>Change in Net Assets of Governmental Activities</i>	
<u>14,513</u>	<u>43,452</u>		<u>\$350,389</u>
467,460	3,507,045		
(130,741)	(187,511)		
16,000	35,829		
<u>(1,337)</u>	<u>(34,447)</u>		
14,663	1,382		
(116,078)	(186,129)		
974,863	3,679,714		
<u>\$858,785</u>	<u>\$3,493,585</u>		

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
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	\$257,625	\$257,625	\$263,225	\$5,600
Income Taxes	1,245,625	988,000	893,271	(94,729)
Intergovernmental	393,550	393,550	393,037	(513)
Interest	99,000	99,000	70,816	(28,184)
Fines, Licenses and Permits	124,000	124,000	157,830	33,830
Charges for Services	57,000	57,000	23,370	(33,630)
Contributions and Donations	0	0	570	570
Other	125,151	84,576	73,503	(11,073)
<i>Total Revenues</i>	<u>2,301,951</u>	<u>2,003,751</u>	<u>1,875,622</u>	<u>(128,129)</u>
Expenditures				
Current:				
General Government	776,710	804,707	706,319	98,388
Security of Persons and Property	1,094,708	1,123,708	1,087,464	36,244
Transportation	117,844	117,844	113,945	3,899
Public Health and Welfare	41,000	41,000	39,749	1,251
Leisure Time Activities	43,914	45,888	44,345	1,543
<i>Total Expenditures</i>	<u>2,074,176</u>	<u>2,133,147</u>	<u>1,991,822</u>	<u>141,325</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	227,775	(129,396)	(116,200)	13,196
Other Financing Uses				
Transfers Out	(9,205)	(9,205)	(9,205)	0
<i>Net Change in Fund Balance</i>	218,570	(138,601)	(125,405)	13,196
<i>Fund Balance Beginning of Year</i>	1,469,620	1,469,620	1,469,620	0
Prior Year Encumbrances Appropriated	117,060	117,060	117,060	0
<i>Fund Balance End of Year</i>	<u>\$1,805,250</u>	<u>\$1,448,079</u>	<u>\$1,461,275</u>	<u>\$13,196</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Department Special Levy 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	\$157,891	\$157,891	\$160,929	\$3,038
Intergovernmental	16,650	16,650	16,650	0
Other	410	1,037	384	(653)
<i>Total Revenues</i>	<u>174,951</u>	<u>175,578</u>	<u>177,963</u>	<u>2,385</u>
Expenditures				
Current:				
General Government	2,700	2,700	2,301	399
Security of Persons and Property	182,723	182,723	169,863	12,860
<i>Total Expenditures</i>	<u>185,423</u>	<u>185,423</u>	<u>172,164</u>	<u>13,259</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(10,472)	(9,845)	5,799	15,644
Other Financing Uses				
Transfers Out	(2,038)	(2,038)	(2,038)	0
<i>Net Change in Fund Balance</i>	(12,510)	(11,883)	3,761	15,644
<i>Fund Balance Beginning of Year</i>	225,541	225,541	225,541	0
Prior Year Encumbrances Appropriated	3,409	3,409	3,409	0
<i>Fund Balance End of Year</i>	<u>\$216,440</u>	<u>\$217,067</u>	<u>\$232,711</u>	<u>\$15,644</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
EMS Special Levy Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$178,942	\$178,942	\$182,386	\$3,444
Intergovernmental	23,369	23,369	23,368	(1)
Charges for Services	117,090	117,090	114,213	(2,877)
Other	7,458	3,171	384	(2,787)
<i>Total Revenues</i>	326,859	322,572	320,351	(2,221)
Expenditures				
Current:				
General Government	2,800	2,800	2,608	192
Security of Persons and Property	332,188	332,188	297,793	34,395
<i>Total Expenditures</i>	334,988	334,988	300,401	34,587
<i>Excess of Revenues Over (Under) Expenditures</i>	(8,129)	(12,416)	19,950	32,366
Other Financing Uses				
Transfers Out	(2,038)	(2,038)	(2,038)	0
<i>Net Change in Fund Balance</i>	(10,167)	(14,454)	17,912	32,366
<i>Fund Balance Beginning of Year</i>	250,194	250,194	250,194	0
Prior Year Encumbrances Appropriated	7,977	7,977	7,977	0
<i>Fund Balance End of Year</i>	\$248,004	\$243,717	\$276,083	\$32,366

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio

Statement of Fund Net Assets

Enterprise Fund

December 31, 2010

	<u>Water</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$2,496,001
Materials and Supplies Inventory	699
Accounts Receivable	177,528
Prepaid Items	<u>14,697</u>
<i>Total Current Assets</i>	<u>2,688,925</u>
<i>Non-Current Assets:</i>	
Deferred Charges	35,530
Land	31,689
Depreciable Capital Assets, Net	<u>2,001,720</u>
<i>Total Non-Current Assets</i>	<u>2,068,939</u>
<i>Total Assets</i>	<u>4,757,864</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	1,862
Accrued Wages	2,535
Intergovernmental Payable	5,385
Accrued Interest Payable	1,236
General Obligation Bonds Payable	<u>84,211</u>
<i>Total Current Liabilities</i>	95,229
<i>Long-Term Liabilities:</i>	
General Obligation Bonds Payable (net of current portion)	<u>275,045</u>
<i>Total Liabilities</i>	<u>370,274</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,709,683
Unrestricted	<u>2,677,907</u>
<i>Total Net Assets</i>	<u><u>\$4,387,590</u></u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Enterprise Fund
For the Year Ended December 31, 2010*

	Water
Operating Revenues	
Charges for Services	\$842,371
Other	15,009
	857,380
<i>Total Operating Revenues</i>	<i>857,380</i>
Operating Expenses	
Personal Services	176,654
Contractual Services	381,415
Materials and Supplies	29,615
Depreciation	120,097
	707,781
<i>Total Operating Expenses</i>	<i>707,781</i>
<i>Operating Income</i>	<i>149,599</i>
Non-Operating Expenses	
Interest and Fiscal Charges	(26,689)
	122,910
<i>Income before Transfers</i>	<i>122,910</i>
Transfers Out	(1,382)
	121,528
<i>Change in Net Assets</i>	<i>121,528</i>
<i>Net Assets Beginning of Year</i>	<i>4,266,062</i>
<i>Net Assets End of Year</i>	<i>\$4,387,590</i>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2010

	Water
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$843,149
Other Cash Receipts	15,378
Cash Payments to Employees for Services	(176,841)
Cash Payments for Goods and Services	(431,572)
<i>Net Cash Provided by Operating Activities</i>	250,114
Cash Flows from Noncapital Financing Activities	
Transfers Out	(1,382)
Cash Flows from Capital and Related Financing Activities	
Principal Paid on General Obligation Bonds	(83,333)
Interest Paid on General Obligation Bonds	(18,076)
Payments for Capital Acquisitions	(21,877)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(123,286)
<i>Net Increase in Cash and Cash Equivalents</i>	125,446
<i>Cash and Cash Equivalents Beginning of Year</i>	2,370,555
<i>Cash and Cash Equivalents End of Year</i>	\$2,496,001

(continued)

City of Munroe Falls, Ohio
Statement of Cash Flows
Enterprise Fund (continued)
For the Year Ended December 31, 2010

	<u>Water</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$149,599
Adjustments:	
Depreciation	120,097
(Increase) Decrease in Assets:	
Accounts Receivable	1,147
Prepaid Items	(5,113)
Decrease in Liabilities:	
Accounts Payable	(6,743)
Accrued Wages	(858)
Intergovernmental Payable	<u>(8,015)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$250,114</u></u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2010

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$104,162</u>
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Liabilities

Undistributed Monies	<u>\$104,162</u>
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See accompanying notes to the basic financial statements

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

Note 1 – Description of the City and Reporting Entity

The City of Munroe Falls, Ohio, (the City) is incorporated as a municipal corporation under the laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides the following services: security of persons and property (police and fire), public health and welfare, leisure time activities, transportation (highways and streets), public improvements, community development, water utility system and general government services.

The Mayor and City Council members are elected officials serving four-year terms. The department heads for police, fire, service, law and finance are appointed by the Mayor with approval from Council.

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 Munroe Falls this includes police, fire, emergency medical services, street construction, parks, water utility, general administrative services and a City council.

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 organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City 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) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. The more significant of the City's accounting policies are described below.

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. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

The statement of net assets presents the financial condition of the governmental and business-type 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 and for the single business-type activity of the City. 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 business segment or governmental program 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 and enterprise 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.

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's funds are classified as either governmental, proprietary or fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically 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 accounts 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 general laws of Ohio.

Fire Department Special Levy Fund The fire department special levy special revenue fund accounts for 50 percent of full-time fire department salaries and fringe benefits.

EMS Special Levy Fund The EMS special levy special revenue fund accounts for supplies, training and other major items to support EMS services in the City and 50 percent of full-time fire department salaries and fringe benefits.

General Obligation Bond Retirement Fund The general obligation bond retirement debt service fund accounts for general obligation long-term debt principal and interest payments.

Capital Improvement Fund The capital improvements capital projects fund accounts for various capital projects financed by City income tax revenue.

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's only proprietary fund is an enterprise fund:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City has one major enterprise fund.

Water Fund This fund accounts for the treatment and provision of water to the residents and commercial users of the City.

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. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The agency fund is used to account for contractor deposits.

Measurement Focus

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

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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 are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use 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.

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

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is 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.

Non-exchange 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 6.) 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), fines and forfeitures, interest, grants and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also 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.

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 City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2010, investments were limited to certificates of deposit, repurchase agreements sweep accounts, STAROhio, federal home loan bank bonds, federal agricultural mortgage corporation bonds, and federal farm credit bonds.

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

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share 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 \$82,540, which includes \$43,178 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

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 at the time of the purchase and the expenditure/expense in the year in which services are consumed.

Inventory

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These 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. Capital assets utilized by the enterprise fund are reported both in the business-type activity column of the government-wide statement of net assets and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000. 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 except land are depreciated. 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:

City of Munroe Falls, Ohio
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For the Year Ended December 31, 2010

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Land Improvements	25 years	N/A
Buildings and Improvements	25-50 years	25-50 years
Equipment	5-25 years	5-25 years
Infrastructure	40 years	40 years

The City's infrastructure consists of streets, sidewalks, curbs and culverts. The City reported infrastructure used in governmental activities for the first time in 2003. The City only reports the amounts acquired after 2002.

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment 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.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary funds 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, claims and judgments and 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, and loans are recognized as a liability on the governmental fund financial statements when due.

Fund Balance Reserve

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 expenditures. As a result, encumbrances are recorded as a reservation of fund balance.

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 the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of

City of Munroe Falls, Ohio
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other governments. Net assets restricted for other purposes includes funds for federal emergency grant programs, drug law enforcement, police law enforcement, enforcement and education programs, and fire prevention and awareness programs.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are only charges for services for water services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government wide financial statements. Internal 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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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.

Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the refunding bonds – series B are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the governmental financial statements, issuance costs are reported as an expense in the fiscal year in which the bonds are issued. Bond issuance costs are generally paid from bond proceeds.

As permitted by State Statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

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

Bond Premium

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

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.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative 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 control has been established by Council at the personal services and other object level within each fund and department. For the other object level the Finance Director has been authorized to allocate appropriations within each department and any object level which he maintains on his books, other than personal services.

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 and final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time original and final appropriations were enacted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts on the budgetary statements 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.

Note 3 – Change in Accounting Principle and Restatement of Fund Balances

Change in Accounting Principle

For 2010, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Reporting for Intangible Assets." GASB Statement No. 51 establishes accounting and financial reporting of intangible assets to reduce inconsistencies, thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the City's financial statements.

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

Restatement of Fund Balances

In 2010, it was realized that a receivable related to sidewalk projects, in the amount of \$8,766, was incorrectly recognized in the special assessment improvement fund when it should have been recognized in the capital improvement fund for 2009. The restatement had the following effect on fund balances at December 31, 2009:

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement	Other Governmental Funds	Total
Fund Balance at December 31, 2009	\$1,740,916	\$214,520	\$293,287	\$12,975	\$434,387	\$983,629	\$3,679,714
Adjustment for Receivable	0	0	0	0	8,766	(8,766)	0
Restated Fund Balance at December 31, 2009	<u>\$1,740,916</u>	<u>\$214,520</u>	<u>\$293,287</u>	<u>\$12,975</u>	<u>\$443,153</u>	<u>\$974,863</u>	<u>\$3,679,714</u>

Note 4 – Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for 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 presented for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are:

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and major special revenue funds.

	Net Change in Fund Balance General and Major Special Revenue Funds		
	General	Fire Department Special Levy	EMS Special Levy
GAAP Basis	(\$33,967)	\$10,429	\$40,509
Adjustment for Revenue Accruals	(5,136)	(191)	(14,332)
Beginning Fair Value Adjustment for Investments	15,693	0	0
Ending Fair Value Adjustment for Investments	20,012	0	0
Adjustment for Expenditure Accruals	(57,719)	(6,325)	(3,345)
Adjustment for Encumbrances	(64,288)	(152)	(4,920)
Budget Basis	<u>(\$125,405)</u>	<u>\$3,761</u>	<u>\$17,912</u>

Note 5 – Deposits and Investments

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

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

Inactive deposits are public deposits that the 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 held by the City can 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

The City may also invest any monies not required to be used for a specific 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.

At year end, the City had \$2,000 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the City's bank balance of \$1,958,813 was fully insured and collateralized.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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

Investments

As of December 31, 2010, the City had the following investments:

Investment Type	Investment Maturities (in Years)			
	Less than 1	1-2	2-3	3-5
Repurchase Agreements:				
Federal Home Loan Mortgage Corporation Bonds	\$1,525,000	\$0	\$0	\$0
STAROhio	1,023,107	0	0	0
Federal Home Loan Bank Bonds	0	265,348	95,200	198,902
Federal Agricultural Mortgage Corporation Bonds	429,244	0	0	0
Federal Farm Credit Bonds	0	0	0	398,484
Total Investments	<u>\$2,977,351</u>	<u>\$265,348</u>	<u>\$95,200</u>	<u>\$597,386</u>

Interest Rate Risk. The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk. The repurchase agreements were backed by Federal Home Loan Mortgage Corporation Bonds, which carry a rating of Aaa by Moody's. The Federal Home Loan Bank Bonds, Federal Agricultural Mortgage Corporation Bonds, and Federal Farm Credit Bonds also carry a rating of Aaa by Moody's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

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 Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, Federal Agricultural Mortgage Corporation Bonds, and Federal Farm Credit Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent. The City 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 treasurer or qualified trustee.

Concentration of Credit Risk. With the exception of U.S. Treasury securities, federal government agency securities, and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution per the Council approved credit risk policy.

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

The following is the City's allocation as of December 31, 2010:

<u>Investment Issuer</u>	<u>Percentage</u>
Repurchase Agreement Sweep Account:	
Federal Home Loan Mortgage Corporation Bonds	38.75 %
Federal Home Loan Bank Bonds	14.22
Federal Agricultural Mortgage Corporation Bonds	10.91
Federal Farm Credit Bonds	10.13

Note 6 – Receivables

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property taxes, accounts, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full and are expected to be received within one year; however, property taxes and income taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2010.

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 tangible personal property currently 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 which became a lien December 31, 2009, are levied after October 1, 2010, and collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may be annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

City of Munroe Falls, Ohio
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For the Year Ended December 31, 2010

The tax rate for all City operations for the year ended December 31, 2010, was \$7.40 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:

Category	Assessed Value
Real Property	\$115,749,700
Tangible Personal Property	49,570
Public Utility	980,050
Total Valuation	\$116,779,320

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Munroe Falls. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

Municipal Income Taxes

The City levies a municipal income tax of two percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of up to 100 percent on the income earned outside of the City and paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually.

Additional increases in the City's income tax rate would require voter approval. The income tax, by ordinance, is allocated, after expenditures for collections, with a minimum of 12 percent to the capital improvement fund and the remainder to the general fund. Amounts above the 12 percent may be allocated depending on the capital improvement projections.

Intergovernmental Receivable

A summary of the governmental activities' principal item of intergovernmental receivables follows:

Governmental Activities:	
Local Government	\$127,612
Homestead and Rollback	119,895
Gas Tax Distribution	106,435
Motor Vehicle License Tax	18,176
Ohio Department of Natural Resources	12,570
Fire Grant	1,564
Total	\$386,252

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

Note 7 – Capital Assets

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

	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,653,686	\$0	\$0	\$1,653,686
<i>Capital Assets, being depreciated</i>				
Land Improvements	273,864	88,770	0	362,634
Buildings and Improvements	3,961,503	4,595	0	3,966,098
Equipment	2,694,107	45,296	0	2,739,403
Infrastructure	972,786	316,517	0	1,289,303
<i>Total Capital Assets, being depreciated</i>	<u>7,902,260</u>	<u>455,178</u>	<u>0</u>	<u>8,357,438</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(110,175)	(11,316)	0	(121,491)
Buildings and Improvements	(1,088,986)	(82,956)	0	(1,171,942)
Equipment	(1,809,472)	(142,391)	0	(1,951,863)
Infrastructure	(104,739)	(25,583)	0	(130,322)
<i>Total Accumulated Depreciation</i>	<u>(3,113,372)</u>	<u>(262,246) *</u>	<u>0</u>	<u>(3,375,618)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>4,788,888</u>	<u>192,932</u>	<u>0</u>	<u>4,981,820</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$6,442,574</u>	<u>\$192,932</u>	<u>\$0</u>	<u>\$6,635,506</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$38,193
Security of Persons and Property	159,543
Transportation	52,176
Leisure Time Activities	12,334
Total Depreciation Expense	<u><u>\$262,246</u></u>

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

Capital asset activity for business-type activities for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$31,689	\$0	\$0	\$31,689
<i>Capital Assets, being depreciated</i>				
Buildings	939,100	0	0	939,100
Equipment	602,371	13,707	0	616,078
Infrastructure	2,555,879	8,170	0	2,564,049
<i>Total Capital Assets, being depreciated</i>	<u>4,097,350</u>	<u>21,877</u>	<u>0</u>	<u>4,119,227</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(363,674)	(19,109)	0	(382,783)
Equipment	(467,939)	(43,178)	0	(511,117)
Infrastructure	(1,165,797)	(57,810)	0	(1,223,607)
<i>Total Accumulated Depreciation</i>	<u>(1,997,410)</u>	<u>(120,097)</u>	<u>0</u>	<u>(2,117,507)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>2,099,940</u>	<u>(98,220)</u>	<u>0</u>	<u>2,001,720</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$2,131,629</u>	<u>(\$98,220)</u>	<u>\$0</u>	<u>\$2,033,409</u>

Note 8 – Capital Leases

The City entered into a capital lease for a fire truck in 2004. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases.” Capital assets were capitalized at the present value of the minimum lease payments at the time the lease was entered into.

The asset acquired through a capital lease is as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$389,823
Less: Accumulated depreciation	<u>(169,618)</u>
Total	<u>\$220,205</u>

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

The fire truck lease provides for minimum, annual lease payments as follows:

	Governmental Activities
2011	\$27,264
2012	27,264
2013	27,264
2014	27,264
2015	27,264
2016	27,264
Total Minimum Lease Payment	163,584
Less: Amount Representing Interest	(21,589)
Present Value of Minimum Lease Payments	\$141,995

Note 9 – Defined Benefit Pension Plans

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 percent 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. 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 Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

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

The City's 2010 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

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 \$51,583, \$48,521, and \$48,548, respectively. For 2010, 97.65 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the Member-Directed plan for 2010 were \$10,382 made by the City and \$7,416 made by the plan members.

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 information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$58,090 and \$23,984 for the year ended December 31, 2010, \$60,498 and \$23,926 for the year ended December 31, 2009, and \$59,193 and \$23,455 for the year ended December 31, 2008, respectively. For 2010, 95.56 percent for police and 93.02 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

Social Security System

As of December 31, 2010, twenty-five part-time firefighters and ten auxiliary police officers have elected to be covered by Social Security rather than OPERS or Ohio Police and Fire Pension Fund. The part-time firefighters' and auxiliary police officers' liability is 6.2 percent of wages paid.

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

Note 10 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care 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 health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent 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 health care plan.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$29,407, \$35,085, and \$48,548, respectively. For 2010, 97.65 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates 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.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care 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-retirement health care coverage for 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 health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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 information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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 by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. 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 to 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 percent 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 pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

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 health care benefits for police and firefighters were \$30,753 and \$9,385 for the year ended December 31, 2010, \$32,028 and \$9,362 for the year ended December 31, 2009, and \$31,337 and \$9,178 for the year ended December 31, 2008. For 2010, 95.56 percent has been contributed for police and 93.02 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

Note 11 – Other Employee Benefits

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service. Current policy credits vacation leave on the hiring date anniversary of each year for all full time employees. Unused vacation is cumulative and may not exceed 200 hours carryover per year for full time patrol officers and sergeants and 120 hours for full time employees. In the event of a termination of employment, death, or retirement, employees (or their estates) are paid for unused vacation leave.

Sick leave is earned for all full time employees at the rate of one and one-quarter days each month. Unused sick leave may be accumulated up to 2,080 hours. Upon retirement, the first 960 hours accumulated is compensated at 50 percent and the remaining hours at 25 percent.

Full time patrol officers and sergeants earn sick leave at a rate of ten hours for each completed month of service. Full time patrol officers and sergeants may accumulate an unlimited amount of sick leave. Upon retirement, the first 2,000 hours are compensated at 50 percent and all hours over 2,000 are compensated at 25 percent.

Insurance

The City provides health and life insurance to its employees through Aetna. Employees covered under union contracts may have different terms. All employees currently contribute 15 percent towards their health premium.

Note 12 – Long-Term Obligations

Original issue amounts and interest rates of the City's debt issues are as follows:

Debt Issue	Interest Rate	Original Issue	Date of Maturity
Governmental Activities:			
2001 Various Purpose Refunded General Obligation Bonds			
Series A General Obligation Bonds	3% - 4%	\$1,820,000	December 1, 2011
Series B General Obligation Bonds	3 - 4.25	250,525	December 1, 2014
Capital Appreciation Bonds	13.43	130,000	December 1, 2014
2008 Capital Asset Acquisition Bonds	4 - 5.5	450,000	December 1, 2013
Business-Type Activities:			
2001 Various Purpose Refunded General Obligation Bonds			
Series B General Obligation Bonds	3 - 4.25	999,475	December 1, 2014

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

The changes in long-term obligations during the year were as follows:

	Balance 12/31/2009	Issued	Retired	Balance 12/31/2010	Amounts Due In One Year
Governmental Activities					
Refunding Bond - Series A					
General Obligation Bond	\$395,000	\$0	(\$195,000)	\$200,000	\$200,000
Capital Appreciation Bond	130,000	0	0	130,000	0
Accretion on Capital Appreciation Bond	241,143	51,506	0	292,649	0
Refunding Bond - Series B					
General Obligation Bond	77,411	0	(16,667)	60,744	15,789
Capital Asset Acquisition Bonds					
General Obligation Bond	370,000	0	(85,000)	285,000	90,000
Premium on Bonds	9,992	0	(2,498)	7,494	0
Capital Leases	162,437	0	(20,442)	141,995	21,300
Compensated Absences	156,728	26,609	(42,278)	141,059	45,791
Total Governmental Activities	<u>\$1,542,711</u>	<u>\$78,115</u>	<u>(\$361,885)</u>	<u>\$1,258,941</u>	<u>\$372,880</u>
Business-Type Activity					
Refunding Bond - Series B					
General Obligation Bond	<u>\$442,589</u>	<u>\$0</u>	<u>(\$83,333)</u>	<u>\$359,256</u>	<u>\$84,211</u>

On November 1, 2001 the City issued \$1,820,000 Series A and \$1,250,000 Series B (which includes a governmental activities portion and a business-type activity portion) General Obligation Bonds and \$130,000 Series A Capital Appreciation Bonds to advance refund \$1,950,000 of 1994 Series A bonds and \$1,105,000 of 1994 Series B bonds.

For the Capital Appreciation Bond, the additions for 2010 were \$51,506, which represents the annual accretion of discounted interest. The final amount of the Capital Appreciation Bond will be \$620,000.

Payment of the principal and interest on the refunding bonds is insured by a municipal bond insurance policy issued by Financial Guaranty Insurance Company. Payments are made from the bond retirement fund for the governmental portion which includes all of the Series A and part of Series B. The remaining part of Series B, which is the business-type activity portion, is paid from the water fund.

On October 15, 2008, the City issued \$450,000 of General Obligation Bonds for the purpose of acquiring capital assets. These bonds were issued at a premium of \$12,490, which will be amortized over the life of the bonds. Payments are made from the bond retirement debt service fund.

In June 2004, the City entered into a capital lease to purchase a fire truck through the Ohio Department of Administrative Services Ohio Cooperative Purchasing Program. The cost of the fire truck and the amount of the lease is in the amount of \$252,931 with an interest rate of 4.12 percent. Annual payments of principal and interest are to be made through June 2016. Payments are to be paid out of the City's capital improvement fund.

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

The compensated absences liability will be paid out of the City's compensated absence reserve fund.

As of December 31, 2010, the City's overall legal debt margin was \$11,603,903 and the unvoted legal debt margin was \$6,025,681. Principal and interest requirements to retire the outstanding debt at December 31, 2010, are as follows:

Governmental Activities								
	General Obligation		Capital Appreciation		General Obligation		General Obligation	
	Refunding Bond - Series A		Bond - Series A		Refunding Bond - Series B		Capital Acquisition	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$200,000	\$8,000	\$0	\$0	\$15,789	\$2,508	\$90,000	\$13,825
2012	0	0	49,808	160,192	15,750	1,874	95,000	9,775
2013	0	0	42,697	162,303	15,001	1,240	100,000	5,500
2014	0	0	37,495	167,505	14,204	604	0	0
Totals	\$200,000	\$8,000	\$130,000	\$490,000	\$60,744	\$6,226	\$285,000	\$29,100

Business-Type Activities		
General Obligation		
Refunding Bond - Series B		
	Principal	Interest
2011	\$84,211	\$14,830
2012	89,250	11,464
2013	90,000	7,896
2014	95,795	4,072
Totals	\$359,256	\$38,262

Note 13 – Contingencies

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experiences, management believes such refunds, if any, would not be material.

Litigation

The City is not currently a party to any legal proceedings which would have a material impact on the financial statements.

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

Note 14 - Risk Management

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 disasters. During 2010, the City contracted with Select Insurance Group for its property and liability insurance. Wichert Insurance Services, Inc. serves as the City's agent.

The City carries commercial property insurance in the amount of \$8,872,208 with a \$500 deductible. The City carries insurance for general liability, auto liability and law enforcement liability with limits of \$5,000,000 per occurrence. The City also carries \$1,000,000 of public officials' liability coverage. Public officials have a deductible of \$10,000. The law enforcement deductible is \$10,000, the equipment and crime deductibles are \$500, and the inland marine deduction is \$500. Auto liability has a \$1,000,000 combined single limit of liability with a \$500 collision deductible. There has not been a significant reduction in coverage from the prior year. Claims have not exceeded this commercial coverage in any of the past three years.

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.

Note 15 – Interfund Transfers

Transfer From	Transfer To		Total
	General Obligation Bond Retirement	Compensated Absences	
Governmental Funds:			
General	\$0	\$9,205	\$9,205
Fire Department Special Levy	0	2,038	2,038
EMS Special Levy	0	2,038	2,038
Capital Improvement	19,829	0	19,829
Street	0	1,337	1,337
Enterprise Fund:			
Water	0	1,382	1,382
Total All Funds	\$19,829	\$16,000	\$35,829

During 2010, the capital improvement capital projects fund transferred \$19,829 to the general obligation bond retirement debt service fund to provide additional resources for debt service, and the general fund and various other funds transferred \$16,000 to the compensated absences fund to replenish the fund balance.



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 Munroe Falls
Summit County
43 Munroe Falls Avenue
Munroe Falls, Ohio 44262

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Munroe Falls, Summit County, Ohio, (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 9, 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 opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 9, 2011.

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

We intend this report solely for the information and use of management, 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 initial "D".

Dave Yost
Auditor of State

September 9, 2011

CITY OF MUNROE FALLS
SUMMIT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010

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

1. Accounting Errors and Omissions

<i>Finding Number</i>	2010-01
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SIGNIFICANT DEFICIENCY

Our testing of various GAAP (accrual) basis financial statement accounts revealed 53 adjustments.

The following adjustment required the financial statements to be adjusted:

- Deferred revenue and intergovernmental receivable were each overstated \$11,590 respectively in the Capital Improvement Fund Balance Sheet because accrued ODOT grants were overstated.

The following adjustments were reported to management as unadjusted items for governmental activities/governmental funds:

- Opening equity and depreciable capital assets including land improvements, equipment and infrastructure were overstated and related general government, security of persons and property, leisure time activities expenses were understated \$173,813 in the Statement of Net Assets and Statement of Activities respectively because reported values did not agree to capital asset detail record values and useful lives of certain depreciable assets were overstated in the calculation of depreciation expense.
- Property taxes were overstated \$36,231 and intergovernmental revenue and general government expenditures were understated \$46,357 and \$10,126 respectively in the Statement of Activities because homestead rollback receipts were incorrectly reported as property taxes and property tax county fiscal officer expenditures and corresponding tax revenue were not recorded.
- Accounts receivable were understated \$28,173 and corresponding charges for services and special assessments were understated \$9,428 and \$18,745 in the Statement of Net Assets and Statement of Activities respectively because emergency medical service fees and special assessments were not accrued and reported.
- Intergovernmental receivable and corresponding intergovernmental revenue were overstated \$9,609 in the Statement of Net Assets and Statement of Activities respectively because gasoline tax and grants were not correctly accrued due to posting errors and misapplication of revenue accrual recognition policy.
- Investment earnings and general government expenditures were overstated \$1,613 in the Statement of Activities due to posting errors.

**CITY OF MUNROE FALLS
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Accounting Errors and Omissions

<i>Finding Number</i>	2010-01
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SIGNIFICANT DEFICIENCY (Cont.)

- Property taxes were overstated \$10,841 and intergovernmental revenue and general government expenditures were understated \$13,491 and \$2,650 respectively in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances because homestead rollback receipts were incorrectly reported as property taxes and property tax county fiscal officer expenditures and corresponding tax revenue were not recorded.
- Fund balance unreserved, undesignated and reserved for prepaid were overstated and understated by \$23,781 respectively in the General Fund Balance Sheet because a reserved for prepaid expenditures was not recorded.
- Fund balance beginning of year and property taxes were overstated \$11,420 and \$2,734 and charges for services were understated \$14,154 in the Fire Department Special Levy Fund Statement of Revenues, Expenditures, and Changes in Fund Balances because certain prior year property tax advances were not accrued and prior year accrued emergency medical service revenue was overstated.
- Property taxes were overstated \$4,880 and intergovernmental revenue and general government expenditures were understated \$7,588 and \$2,708 respectively in the Fire Department Special Levy Fund Statement of Revenues, Expenditures, and Changes in Fund Balances because homestead rollback receipts were incorrectly reported as property taxes and property tax county fiscal officer expenditures and corresponding tax revenue were not recorded.
- Fund balance beginning of year and property taxes were overstated \$3,878 and \$3,099 and charges for services were understated \$6,977 in the Emergency Medical Services Special Levy Fund Statement of Revenues, Expenditures, and Changes in Fund Balances because certain prior year property tax advances were not accrued and prior year accrued emergency medical service revenue was overstated.
- Property taxes were overstated \$5,897 and intergovernmental revenue and general government expenditures were understated \$8,968 and \$3,071 respectively in the Emergency Medical Services Special Levy Fund Statement of Revenues, Expenditures, and Changes in Fund Balances because homestead rollback and public utility reimbursement receipts were incorrectly reported as property taxes and property tax county fiscal officer expenditures and corresponding tax revenue were not recorded.
- Accounts receivable and charges for services were each understated \$9,428 respectively in the Emergency Medical Services Special Levy Fund Balance Sheet Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances because accrued emergency medical services fees were not reported.

**CITY OF MUNROE FALLS
SUMMIT COUNTY**

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Accounting Errors and Omissions

<i>Finding Number</i>	2010-01
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SIGNIFICANT DEFICIENCY (Cont.)

- Property taxes were overstated \$16,328 and intergovernmental revenue and general government expenditures were understated \$18,025 and \$1,697 respectively in the General Obligation Bond Retirement Fund Statement of Revenues, Expenditures, and Changes in Fund Balances because homestead rollback receipts were incorrectly reported as property taxes and property tax county fiscal officer expenditures and corresponding tax revenue were not recorded.
- Fund balance beginning of year and property taxes were overstated \$3,409 in the General Obligation Bond Retirement Fund Statement of Revenues, Expenditures, and Changes in Fund Balances because certain prior year property tax advances were not accrued.
- Accounts receivable and special assessments were each understated \$18,745 respectively in the Other Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund balances because accrued street light assessments were not reported.

The following adjustments were reported to management as unadjusted items for business type activities/enterprise funds:

- Opening equity was understated \$89,106 and depreciable capital assets including buildings, equipment and infrastructure and depreciation expense were understated \$73,461 and \$15,645 in the Business Type Activity Statement of Net Assets and Statement of Activities respectively because reported values did not agree to capital asset detail record values and useful lives of certain depreciable assets were overstated in the calculation of depreciation expense.
- Opening equity was understated \$91,912 and depreciable capital assets including buildings, equipment and infrastructure and depreciation expense were understated \$44,524 and \$47,388 in the Water Fund Statement of Fund Net Assets and Statement of Revenues, Expenses and Changes in Fund Net Assets respectively because reported values did not agree to capital asset detail record values and useful lives of certain depreciable assets were overstated in the calculation of depreciation expense.

The City should exercise due care when posting transactions to help ensure receipts are posted to the correct accounts. In addition, management should review the draft GAAP journal entries and financial statements to help ensure they are supported by sufficient and accurate documentation and free of obvious errors and omissions. This procedure should help avoid GAAP financial statement errors and help ensure more accurate financial reporting.

**CITY OF MUNROE FALLS
SUMMIT COUNTY**

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Official's Response:

Upon completion of the audit by the field audit team, I discussed the issue regarding the various accounting adjustments identified in this GAAP conversion. We were in agreement with the audit team that the amounts were not material with respect to the overall report. However, the number of items indicated that greater attention should be directed to booking these items in the future.

It is my understating that there are three main items that resulted in the majority of the accounting errors:

1. We had booked rollback property taxes to property tax revenue and they should be categorized as inter-governmental revenues. This is a definition issue that is now so noted.
2. Receivables must be categorized between current period revenues and deferred revenues depending on their age. We had not properly delineated these items. Again this is a definition issue that we will correct for the future.
3. Some capital asset beginning balances and depreciation calculations were incorrect. More attention will be giving to carryover worksheet balances and the formulas created to calculate depreciation schedules.



Dave Yost • Auditor of State

CITY OF MUNROE FALLS

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
NOVEMBER 10, 2011**