



Mary Taylor, CPA
Auditor of State

**CITY OF MUNROE FALLS
SUMMIT COUNTY**

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Mary Taylor, CPA

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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 the City of Munroe Falls, Summit County, Ohio, (the City) as of and for the year ended December 31, 2008, 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 the City of Munroe Falls, Summit County, Ohio, as of December 31, 2008, 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 August 11, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

August 11, 2009

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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, 2008. 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 2008 are:

- Total assets increased by \$653,442 over 2007, or 4.15 percent.
- Total net assets increased by \$471,339 over 2007, or 3.73 percent.
- Total capital assets increased by \$111,872 over 2007, or 1.29 percent.
- Total outstanding debt increased by \$174,906 over 2007, or 8.59 percent.

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 2008?" 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.

These two statements report the City's net assets and the changes in those assets. The changes in net assets are important because it tells the reader whether, 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.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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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 9. 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 water.

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 year end 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.

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.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$5,150,661	\$4,675,725	\$2,446,191	\$2,379,557	\$7,596,852	\$7,055,282
Capital Assets, Net	6,549,329	6,325,083	2,257,493	2,369,867	8,806,822	8,694,950
<i>Total Assets</i>	11,699,990	11,000,808	4,703,684	4,749,424	16,403,674	15,750,232
Liabilities						
Current and Other Liabilities	896,231	887,905	27,857	32,253	924,088	920,158
Long-Term Liabilities:						
Due Within One Year	388,605	295,815	78,750	73,667	467,355	369,482
Due in More than One Year	1,447,371	1,288,321	442,589	521,339	1,889,960	1,809,660
<i>Total Liabilities</i>	2,732,207	2,472,041	549,196	627,259	3,281,403	3,099,300
Net Assets						
Invested in Capital Assets, Net of Related Debt	5,068,017	5,040,136	1,789,450	1,837,038	6,857,467	6,877,174
Restricted:						
Capital Projects	743,026	644,442	0	0	743,026	644,442
Debt Service	26,807	33,958	0	0	26,807	33,958
Street Maintenance and Repair	503,496	490,113	0	0	503,496	490,113
Fire Department	223,878	206,434	0	0	223,878	206,434
EMS	335,157	374,006	0	0	335,157	374,006
Other Purposes	372,721	171,949	0	0	372,721	171,949
Unrestricted	1,694,681	1,567,729	2,365,038	2,285,127	4,059,719	3,852,856
<i>Total Net Assets</i>	\$8,967,783	\$8,528,767	\$4,154,488	\$4,122,165	\$13,122,271	\$12,650,932

Total assets increased by \$653,442 from 2007 to 2008 mainly from increases in cash and cash equivalents and depreciable capital assets.

Total liabilities had a net increase of \$182,103. This increase is primarily due to issuance of capital assets acquisition bonds in the amount of \$450,000.

Total net assets increased \$471,339 with governmental net assets comprising \$439,016 and business-type activities comprising \$32,323 of that amount. The water fund increase in net assets is due to a reduction in long-term liabilities and an increase in current assets.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2 shows the changes in net assets for the years ended December 31, 2008 and December 31, 2007.

Table 2
Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$241,988	\$214,874	\$793,370	\$912,698	\$1,035,358	\$1,127,572
Operating Grants and Contributions	438,485	284,502	0	0	438,485	284,502
Capital Grants	11,590	0	0	0	11,590	0
<i>Total Program Revenues</i>	<u>692,063</u>	<u>499,376</u>	<u>793,370</u>	<u>912,698</u>	<u>1,485,433</u>	<u>1,412,074</u>
<i>General Revenues:</i>						
Property Taxes	772,531	775,780	0	0	772,531	775,780
Income Tax	1,154,463	1,206,572	0	0	1,154,463	1,206,572
Grants and Entitlements not Restricted to Specific Programs	592,149	502,935	0	0	592,149	502,935
Interest	226,901	292,467	0	0	226,901	292,467
Other	58,466	51,167	655	2,177	59,121	53,344
<i>Total General Revenues</i>	<u>2,804,510</u>	<u>2,828,921</u>	<u>655</u>	<u>2,177</u>	<u>2,805,165</u>	<u>2,831,098</u>
<i>Total Revenues</i>	<u>3,496,573</u>	<u>3,328,297</u>	<u>794,025</u>	<u>914,875</u>	<u>4,290,598</u>	<u>4,243,172</u>
<i>Program Expenses:</i>						
General Government	732,436	807,203	0	0	732,436	807,203
Security of Persons and Property	1,700,975	1,471,715	0	0	1,700,975	1,471,715
Transportation	458,303	382,504	0	0	458,303	382,504
Public Health and Welfare	39,437	62,079	0	0	39,437	62,079
Leisure Time Activities	37,051	32,311	0	0	37,051	32,311
Water Operations	0	0	761,702	780,463	761,702	780,463
Interest and Fiscal Charges	89,355	89,081	0	0	89,355	89,081
<i>Total Program Expenses</i>	<u>3,057,557</u>	<u>2,844,893</u>	<u>761,702</u>	<u>780,463</u>	<u>3,819,259</u>	<u>3,625,356</u>
Increase in Net Assets	439,016	483,404	32,323	134,412	471,339	617,816
Net Assets Beginning of Year	8,528,767	8,045,363	4,122,165	3,987,753	12,650,932	12,033,116
Net Assets End of Year	<u>\$8,967,783</u>	<u>\$8,528,767</u>	<u>\$4,154,488</u>	<u>\$4,122,165</u>	<u>\$13,122,271</u>	<u>\$12,650,932</u>

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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. The income tax revenue amount for 2008 was \$1,154,463, a decrease of \$52,109 or 4.32 percent from 2007.

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.

Tangible personal property taxes (for tangible property other than public utility property) attach as a lien and are levied on January 1 of the current calendar year. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced zero for 2009.

The County Fiscal Officer collects property taxes on behalf of all taxing districts within the County. The Fiscal Officer periodically remits to the City its portion of the taxes collected with final settlement for taxes payable in the first and second halves of the year, respectively.

The operating grants and contributions program revenues increased by \$153,983 from \$284,502 in 2007 to \$438,485 in 2008. This was due mainly to an increase of grants available to the City.

The City has made aggressive efforts at reducing costs and continues to do so. 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 and street and sewer infrastructures. The City monitors its sources of revenue very closely for any changes or fluctuations.

The City is embarking on an aggressive economic development effort 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. The City has retained a community development coordinator to help with the strategic plans for this area.

Total governmental activities revenues for 2008 were \$3,496,573. Income tax made up 33.02 percent of total revenues for governmental activities for the City. Charges for services accounted for 6.92 percent, operating grants and contributions accounted for 12.54 percent, property taxes accounted for 22.09 percent, and the remaining 25.43 percent consisted of capital grants, grants and entitlements, interest, and other revenues. Charges for services revenue represents receipts from such items as building and zoning permits, emergency rescue fees, and rental fees.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Total governmental activities expenses for 2008 were \$3,057,557. Security of persons and property represents the highest program expense at \$1,700,975 or 55.6 percent, followed by general government expenses at \$732,436 or 24 percent and transportation expenses at \$458,303 or 15 percent. These three, being the major City expense categories, cover the City's police and fire departments, general administration and street repair and maintenance operations. Public health and welfare, leisure time activities, and interest and fiscal charges make up the remaining 5.4 percent of expenses.

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. Capital needs for police and fire come from the City's Capital Improvement Fund.

General government costs of \$732,436 include such services as planning, zoning, administration, finance, legal, legislature, lands and buildings, engineering and state auditing. General government expenses decreased by \$74,767, or 9.3 percent, from 2007 mainly due to a reduction in the purchases of equipment. Security of persons and property expenses increased by \$229,260, mainly due to an increase in depreciation for fire and police vehicles and equipment. Transportation expenses increased by \$75,799.

Table 3 presents a summary for governmental activities, the total cost of services and the net cost of providing these services.

Table 3
Cost of Services

	Governmental Activities			
	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
	General Government	\$732,436	\$807,203	(\$665,021)
Security of Persons and Property	1,700,975	1,471,715	(1,532,474)	(1,282,412)
Transportation	458,303	382,504	(6,118)	(134,828)
Public Health and Welfare	39,437	62,079	(37,062)	(60,033)
Leisure Time Activities	37,051	32,311	(35,464)	(30,978)
Interest and Fiscal Charges	89,355	89,081	(89,355)	(89,081)
Total	\$3,057,557	\$2,844,893	(\$2,365,494)	(\$2,345,517)

Departments rely mainly on the general revenues of the City to cover their yearly expenses. Some revenues from property taxes are available to cover general debt obligations.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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 \$3,424,983 and expenditures of \$3,489,084. The most significant fund is the general fund with a year-end balance of \$1,718,742, which included an unreserved fund balance of \$1,677,101, compared to annual expenditures of \$1,904,994. 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, 2008. 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, 2008 the City's combined ending cash and cash equivalents balance was \$3,513,275. Along those same lines, the City's 2008 ending combined governmental fund balance is \$3,712,461. Of this balance, \$3,576,303 is classified as unreserved fund balances. The reserved portions are not spendable because they are committed to satisfy carry-forward purchase order encumbrances of \$136,158.

The fire department special levy and EMS special levy special revenue funds had revenues of \$179,749 and \$268,143, respectively. The fire department special levy fund had an increase of fund balance, ending the year with a fund balance of \$202,964. The EMS special levy fund had a decrease of fund balance, ending the year with a fund balance of \$265,492.

The general obligation bond retirement fund had a fund balance of \$7,499, all of which was unreserved, and an ending cash and cash equivalents balance of \$7,499. Revenues for the year were \$213,288 with expenditures of \$227,018.

The capital improvement fund had a fund balance of \$470,803, of which \$384,154 was unreserved, leaving \$86,649 reserved for encumbrances. The cash and cash equivalents balance was \$455,501. Revenues for the year were \$200,790 with expenditures of \$523,251.

Business-Type Fund

As mentioned earlier, the City's lone business-type activity is the water fund. Total assets decreased by \$45,740, or .96 percent, from 2007 to 2008, while total liabilities decreased by \$78,063, or 12.45 percent, from 2007 to 2008. Ending net assets increased .78 percent from \$4,122,165 in 2007 to \$4,154,488 in 2008.

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

City of Munroe Falls, Ohio
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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 \$2,456,675 and the final budgeted amount was \$2,446,141. The majority of this \$10,534 difference is due to an increase in estimated income tax and a decrease in intergovernmental 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.

Capital Assets and Debt Administration

Capital Assets

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$1,653,686	\$1,653,686	\$31,689	\$31,689	\$1,685,375	\$1,685,375
Land Improvements	174,000	162,334	0	0	174,000	162,334
Buildings and Improvements	2,916,288	2,991,180	594,535	613,644	3,510,823	3,604,824
Equipment	911,678	891,857	183,377	218,832	1,095,055	1,110,689
Infrastructure	893,677	626,026	1,447,892	1,505,702	2,341,569	2,131,728
Totals	<u>\$6,549,329</u>	<u>\$6,325,083</u>	<u>\$2,257,493</u>	<u>\$2,369,867</u>	<u>\$8,806,822</u>	<u>\$8,694,950</u>

Total governmental capital assets for the City of Munroe Falls as of December 31, 2008 were \$6,549,329. Additions were primarily made to equipment and infrastructure during the year, resulting in an increase in capital assets. For additional information see Note 8 to the basic financial statements.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Debt

On December 31, 2008, the City of Munroe Falls had \$2,211,055 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 5 summarizes bonds and loans outstanding as of December 31, 2008.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activity		Total	
	2008	2007	2008	2007	2008	2007
Refunding Bond - Series A						
General Obligation Bond	\$585,000	\$765,000	\$0	\$0	\$585,000	\$765,000
Capital Appreciation Bond	130,000	130,000	0	0	130,000	130,000
Accretion on Capital Appreciation Bond	195,914	156,196	0	0	195,914	156,196
Refunding Bond - Series B						
General Obligation Bond	88,661	99,994	521,339	595,006	610,000	695,000
Capital Asset Acquisition Bond						
General Obligation Bond	450,000	0	0	0	450,000	0
Premium on Bonds	12,490	0	0	0	12,490	0
Capital Leases	227,651	289,953	0	0	227,651	289,953
Totals	<u>\$1,689,716</u>	<u>\$1,441,143</u>	<u>\$521,339</u>	<u>\$595,006</u>	<u>\$2,211,055</u>	<u>\$2,036,149</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.

The capital leases were for the lease-purchase of a new fire truck and a new ambulance. Payments for the fire truck began in 2005. Payments for the ambulance began in 2007.

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 leadership is committed to 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.

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City of Munroe Falls, Ohio

Statement of Net Assets

December 31, 2008

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,513,275	\$2,204,027	\$5,717,302
Materials and Supplies Inventory	9,476	1,079	10,555
Accrued Interest Receivable	13,844	0	13,844
Accounts Receivable	111,658	177,694	289,352
Intergovernmental Receivable	418,549	0	418,549
Prepaid Items	25,161	10,095	35,256
Income Taxes Receivable	277,662	0	277,662
Property Taxes Receivable	781,036	0	781,036
Deferred Charges	0	53,296	53,296
Nondepreciable Capital Assets	1,653,686	31,689	1,685,375
Depreciable Capital Assets, Net	4,895,643	2,225,804	7,121,447
<i>Total Assets</i>	<u>11,699,990</u>	<u>4,703,684</u>	<u>16,403,674</u>
Liabilities			
Accounts Payable	35,855	4,966	40,821
Accrued Wages	38,686	2,903	41,589
Intergovernmental Payable	71,255	18,232	89,487
Accrued Interest Payable	6,160	1,756	7,916
Deferred Revenue	744,275	0	744,275
Long-Term Liabilities:			
Due Within One Year	388,605	78,750	467,355
Due In More Than One Year	1,447,371	442,589	1,889,960
<i>Total Liabilities</i>	<u>2,732,207</u>	<u>549,196</u>	<u>3,281,403</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	5,068,017	1,789,450	6,857,467
Restricted for:			
Capital Projects	743,026	0	743,026
Debt Service	26,807	0	26,807
Street Maintenance and Repair	503,496	0	503,496
Fire Department	223,878	0	223,878
EMS	335,157	0	335,157
Other Purposes	372,721	0	372,721
Unrestricted	1,694,681	2,365,038	4,059,719
<i>Total Net Assets</i>	<u>\$8,967,783</u>	<u>\$4,154,488</u>	<u>\$13,122,271</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$732,436	\$67,415	\$0	\$0
Security of Persons and Property	1,700,975	163,945	4,556	0
Transportation	458,303	6,666	433,929	11,590
Public Health and Welfare	39,437	2,375	0	0
Leisure Time Activities	37,051	1,587	0	0
Interest and Fiscal Charges	89,355	0	0	0
<i>Total Governmental Activities</i>	3,057,557	241,988	438,485	11,590
Business-Type Activity:				
Water	761,702	793,370	0	0
<i>Total - Primary Government</i>	\$3,819,259	\$1,035,358	\$438,485	\$11,590

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

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
(\$665,021)	\$0	(\$665,021)
(1,532,474)	0	(1,532,474)
(6,118)	0	(6,118)
(37,062)	0	(37,062)
(35,464)	0	(35,464)
(89,355)	0	(89,355)
(2,365,494)	0	(2,365,494)
0	31,668	31,668
(2,365,494)	31,668	(2,333,826)
252,038	0	252,038
156,533	0	156,533
177,404	0	177,404
186,556	0	186,556
980,693	0	980,693
173,770	0	173,770
592,149	0	592,149
226,901	0	226,901
58,466	655	59,121
2,804,510	655	2,805,165
439,016	32,323	471,339
8,528,767	4,122,165	12,650,932
\$8,967,783	\$4,154,488	\$13,122,271

City of Munroe Falls, Ohio

Balance Sheet

Governmental Funds

December 31, 2008

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$1,586,494	\$213,178	\$274,943	\$7,499	\$455,501
Materials and Supplies Inventory	9,476	0	0	0	0
Accrued Interest Receivable	13,844	0	0	0	0
Accounts Receivable	34,020	23	44,625	0	0
Intergovernmental Receivable	198,164	23,692	30,851	28,904	11,590
Prepaid Items	19,125	619	1,118	0	2,661
Income Taxes Receivable	244,342	0	0	0	33,320
Property Taxes Receivable	252,287	157,678	178,702	192,369	0
<i>Total Assets</i>	<u>\$2,357,752</u>	<u>\$395,190</u>	<u>\$530,239</u>	<u>\$228,772</u>	<u>\$503,072</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$32,120	\$0	\$2,033	\$0	\$30
Accrued Wages	27,849	4,369	5,045	0	0
Intergovernmental Payable	55,268	6,487	7,514	0	0
Deferred Revenue	523,773	181,370	250,155	221,273	32,239
<i>Total Liabilities</i>	<u>639,010</u>	<u>192,226</u>	<u>264,747</u>	<u>221,273</u>	<u>32,269</u>
Fund Balances					
Reserved for Encumbrances	41,641	0	2,052	0	86,649
Unreserved, Undesignated,					
Reported in:					
General Fund	1,677,101	0	0	0	0
Special Revenue Funds	0	202,964	263,440	0	0
Debt Service Fund	0	0	0	7,499	0
Capital Projects Funds	0	0	0	0	384,154
<i>Total Fund Balances</i>	<u>1,718,742</u>	<u>202,964</u>	<u>265,492</u>	<u>7,499</u>	<u>470,803</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,357,752</u>	<u>\$395,190</u>	<u>\$530,239</u>	<u>\$228,772</u>	<u>\$503,072</u>

See accompanying notes to the basic financial statements

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2008*

Other Governmental Funds	Total Governmental Funds			
		Total Governmental Fund Balances		\$3,712,461
		<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.		6,549,329
\$975,660	\$3,513,275	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
0	9,476	Property Taxes	36,761	
0	13,844	Income Taxes	172,072	
32,990	111,658	Charges for Services	44,602	
125,348	418,549	Grants	294,694	
1,638	25,161			
0	277,662	Total		548,129
0	781,036			
\$1,135,636	\$5,150,661	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(6,160)
		Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
\$1,672	\$35,855	General Obligation Bonds	(1,123,661)	
1,423	38,686	Capital Appreciation Bonds	(325,914)	
1,986	71,255	Capital Leases	(227,651)	
83,594	1,292,404	Premium on Bonds	(12,490)	
		Compensated Absences	(146,260)	
88,675	1,438,200			
		Total		(1,835,976)
5,816	136,158	<i>Net Assets of Governmental Activities</i>		<i>\$8,967,783</i>
0	1,677,101			
801,684	1,268,088			
0	7,499			
239,461	623,615			
1,046,961	3,712,461			
\$1,135,636	\$5,150,661			

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement
Revenues					
Property Taxes	\$251,049	\$155,916	\$176,704	\$184,578	\$0
Income Taxes	984,020	0	0	0	174,223
Special Assessments	0	0	0	0	0
Intergovernmental	478,423	23,533	35,171	28,710	0
Interest	209,286	0	0	0	0
Fines, Licenses and Permits	107,064	0	0	0	0
Charges for Services	8,158	0	55,945	0	0
Contributions and Donations	450	0	0	0	0
Other	31,276	300	323	0	26,567
<i>Total Revenues</i>	<u>2,069,726</u>	<u>179,749</u>	<u>268,143</u>	<u>213,288</u>	<u>200,790</u>
Expenditures					
Current:					
General Government	687,950	2,399	2,529	2,200	0
Security of Persons and Property	1,043,651	159,674	302,140	0	0
Transportation	107,604	0	0	0	0
Public Health and Welfare	39,437	0	0	0	0
Leisure Time Activities	26,352	0	0	0	0
Capital Outlay	0	0	0	0	495,987
Debt Service:					
Principal Retirement	0	0	43,475	191,333	18,827
Interest and Fiscal Charges	0	0	4,346	33,485	8,437
<i>Total Expenditures</i>	<u>1,904,994</u>	<u>162,073</u>	<u>352,490</u>	<u>227,018</u>	<u>523,251</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>164,732</u>	<u>17,676</u>	<u>(84,347)</u>	<u>(13,730)</u>	<u>(322,461)</u>
Other Financing Sources (Uses)					
General Obligation Bonds Issued	0	0	0	0	450,000
Bond Premium	0	0	0	0	12,490
Transfers In	0	0	0	15,333	0
Transfers Out	0	0	0	0	(15,333)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,333</u>	<u>447,157</u>
<i>Net Change in Fund Balances</i>	164,732	17,676	(84,347)	1,603	124,696
<i>Fund Balances Beginning of Year</i>	<u>1,554,010</u>	<u>185,288</u>	<u>349,839</u>	<u>5,896</u>	<u>346,107</u>
<i>Fund Balances End of Year</i>	<u>\$1,718,742</u>	<u>\$202,964</u>	<u>\$265,492</u>	<u>\$7,499</u>	<u>\$470,803</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, 2008*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$398,389
		<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	\$768,247	Capital Asset Additions	485,975
0	1,158,243	Current Year Depreciation	<u>(261,729)</u>
25,258	25,258		
437,602	1,003,439		
17,615	226,901		
875	107,939		
7,831	71,934		
4,106	4,556		
<u>0</u>	<u>58,466</u>		
493,287	3,424,983		
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
		Property Taxes	4,284
20,567	715,645	Income Taxes	(16,899)
3,236	1,508,701	Grants	36,857
253,015	360,619	Charges for Services	<u>47,348</u>
0	39,437		
0	26,352		
42,440	538,427		
0	253,635		
<u>0</u>	<u>46,268</u>		
319,258	3,489,084		
		Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	253,635
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
174,029	(64,101)	Accrued Interest	(3,369)
		Bond Accretion	<u>(39,718)</u>
0	450,000		
0	12,490		
0	15,333		
<u>0</u>	<u>(15,333)</u>		
0	462,490		
174,029	398,389		
		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.	(3,267)
872,932	3,314,072		
<u>\$1,046,961</u>	<u>\$3,712,461</u>		
		Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.	
		General Obligation Bonds Issued	(450,000)
		Bond Premium	<u>(12,490)</u>
		Total	<u>(462,490)</u>
		<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$439,016</u></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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$280,495	\$281,107	\$251,049	(\$30,058)
Income Taxes	998,365	1,003,800	984,441	(19,359)
Intergovernmental	751,460	740,882	483,487	(257,395)
Interest	219,013	215,929	140,912	(75,017)
Fines, Licenses and Permits	139,612	137,647	89,826	(47,821)
Charges for Services	12,680	12,501	8,158	(4,343)
Contributions and Donations	699	690	450	(240)
Other	54,351	53,585	34,969	(18,616)
<i>Total Revenues</i>	2,456,675	2,446,141	1,993,292	(452,849)
Expenditures				
Current:				
General Government	685,508	729,203	709,789	19,414
Security of Persons and Property	1,066,973	1,091,392	1,053,075	38,317
Transportation	111,820	117,621	116,635	986
Public Health and Welfare	40,577	39,900	39,437	463
Leisure Time Activities	26,960	27,157	26,653	504
<i>Total Expenditures</i>	1,931,838	2,005,273	1,945,589	59,684
<i>Net Change in Fund Balance</i>	524,837	440,868	47,703	(393,165)
<i>Fund Balance Beginning of Year</i>	1,327,577	1,327,577	1,327,577	0
Prior Year Encumbrances Appropriated	33,505	33,505	33,505	0
<i>Fund Balance End of Year</i>	\$1,885,919	\$1,801,950	\$1,408,785	(\$393,165)

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$155,282	\$158,456	\$155,916	(\$2,540)
Intergovernmental	23,437	20,944	23,533	2,589
Other	299	0	300	300
<i>Total Revenues</i>	179,018	179,400	179,749	349
Expenditures				
Current:				
General Government	2,700	2,700	2,399	301
Security of Persons and Property	167,052	167,052	157,981	9,071
<i>Total Expenditures</i>	169,752	169,752	160,380	9,372
<i>Net Change in Fund Balance</i>	9,266	9,648	19,369	9,721
<i>Fund Balance Beginning of Year</i>	193,809	193,809	193,809	0
<i>Fund Balance End of Year</i>	\$203,075	\$203,457	\$213,178	\$9,721

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$169,080	\$169,319	\$176,704	\$7,385
Intergovernmental	29,826	29,868	31,171	1,303
Charges for Services	106,695	106,846	111,506	4,660
Other	287	287	300	13
<i>Total Revenues</i>	<u>305,888</u>	<u>306,320</u>	<u>319,681</u>	<u>13,361</u>
Expenditures				
Current:				
General Government	2,770	2,600	2,529	71
Security of Persons and Property	335,093	339,263	305,651	33,612
Debt Service:				
Principal Retirement	43,475	43,475	43,475	0
Interest and Fiscal Charges	4,346	4,346	4,346	0
<i>Total Expenditures</i>	<u>385,684</u>	<u>389,684</u>	<u>356,001</u>	<u>33,683</u>
<i>Net Change in Fund Balance</i>	(79,796)	(83,364)	(36,320)	47,044
<i>Fund Balance Beginning of Year</i>	297,178	297,178	297,178	0
Prior Year Encumbrances Appropriated	<u>10,231</u>	<u>10,231</u>	<u>10,231</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$227,613</u></u>	<u><u>\$224,045</u></u>	<u><u>\$271,089</u></u>	<u><u>\$47,044</u></u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Fund Net Assets

Enterprise Fund
December 31, 2008

	<u>Water</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$2,204,027
Accounts Receivable	177,694
Materials and Supplies Inventory	1,079
Prepaid Items	<u>10,095</u>
<i>Total Current Assets</i>	<u>2,392,895</u>
<i>Non-Current Assets:</i>	
Deferred Charges	53,296
Land	31,689
Depreciable Capital Assets, Net	<u>2,225,804</u>
<i>Total Non-Current Assets</i>	<u>2,310,789</u>
<i>Total Assets</i>	<u>4,703,684</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	4,966
Accrued Wages	2,903
Intergovernmental Payable	18,232
Accrued Interest Payable	1,756
General Obligation Bonds Payable	<u>78,750</u>
<i>Total Current Liabilities</i>	106,607
<i>Long-Term Liabilities:</i>	
General Obligation Bonds Payable (net of current portion)	<u>442,589</u>
<i>Total Liabilities</i>	<u>549,196</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,789,450
Unrestricted	<u>2,365,038</u>
<i>Total Net Assets</i>	<u><u>\$4,154,488</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, 2008*

	Water
Operating Revenues	
Charges for Services	\$793,370
Other	655
	794,025
 Operating Expenses	
Personal Services	190,781
Contractual Services	381,588
Materials and Supplies	29,532
Depreciation	127,346
	729,247
 <i>Operating Income</i>	 64,778
 Non-Operating Expenses	
Interest and Fiscal Charges	(32,455)
	32,323
 <i>Change in Net Assets</i>	 32,323
 <i>Net Assets Beginning of Year</i>	 4,122,165
	\$4,154,488
	\$4,154,488

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, 2008

	Water
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$846,660
Other Cash Receipts	600
Cash Payments to Employees for Services	(190,293)
Cash Payments for Goods and Services	(411,952)
<i>Net Cash Provided by Operating Activities</i>	245,015
Cash Flows from Capital and Related Financing Activities	
Principal Paid on General Obligation Bonds	(73,667)
Interest Paid on General Obligation Bonds	(23,802)
Payments for Capital Acquisitions	(14,972)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(112,441)
<i>Net Increase in Cash and Cash Equivalents</i>	132,574
<i>Cash and Cash Equivalents Beginning of Year</i>	2,071,453
<i>Cash and Cash Equivalents End of Year</i>	\$2,204,027
	(continued)

City of Munroe Falls, Ohio
Statement of Cash Flows
Enterprise Fund (continued)
For the Year Ended December 31, 2008

	<u>Water</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$64,778
Adjustments:	
Depreciation	127,346
(Increase) Decrease in Assets:	
Accounts Receivable	53,235
Prepaid Items	4,033
Materials and Supplies Inventory	(209)
Increase (Decrease) in Liabilities:	
Accounts Payable	(20,145)
Accrued Wages	107
Intergovernmental Payable	<u>15,870</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$245,015</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, 2008

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$95,039</u>
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Liabilities

Undistributed Monies	<u>\$95,039</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, 2008

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.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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, 2008

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.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City'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, 2008

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.

C. 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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements 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.

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, 2008, but which were levied to finance year 2009 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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

E. 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 fiscal year 2008, investments were limited to certificates of deposit, repurchase agreements sweep accounts, federal farm credit bonds, federal home loan mortgage corporation notes, federal home loan bank bonds, federal agricultural mortgage corporation bonds and STAROhio.

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, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to \$209,286, which includes \$102,499 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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.

G. 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.

H. 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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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:

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Land Improvements	10-25 years	N/A
Buildings and Improvements	10-50 years	20-50 years
Equipment	5-25 years	2-25 years
Infrastructure	20-50 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.

I. 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.

J. 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.

K. 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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

L. 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 other governments. The government-wide statement of net assets reports \$2,205,085 of restricted net assets, of which none is restricted by enabling legislation. 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.

M. 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.

N. Internal Activity

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. 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.

P. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond issuance for Series B refunding bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements and in the City's enterprise fund. The straight-line method of amortization is not materially different from the effective-interest method. Bond issuance costs are generally paid from bond proceeds.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Q. 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.

R. 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.

S. 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 Principles

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No, 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". GASB Statement No, 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. 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, 2008

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 fund, the fire department special levy and the EMS special levy 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).

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	\$164,732	\$17,676	(\$84,347)
Adjustment for Revenue Accruals	(162,095)	0	51,538
Beginning Fair Value Adjustment for Investments	(24,021)	0	0
Ending Fair Value Adjustment for Investments	109,682	0	0
Adjustment for Expenditure Accruals	27,432	1,693	343
Adjustment for Encumbrances	(68,027)	0	(3,854)
Budget Basis	\$47,703	\$19,369	(\$36,320)

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.

City of Munroe Falls, Ohio
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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;
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".

City of Munroe Falls, Ohio
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For the Year Ended December 31, 2008

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, \$503,941 of the City's bank balance of \$1,701,990 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

As of December 31, 2008, the City had the following investments:

Investment Type	Investment Maturities (in Years)		
	Less than 1	1-2	2-3
Repurchase Agreements:			
Federal Home Loan Mortgage Corporation Bonds	\$1,290,556	\$0	\$0
Federal Farm Credit Bonds	0	427,500	0
Federal Home Loan Mortgage Corporation Notes	0	0	406,688
Federal Home Loan Bank Bonds	0	608,688	0
Federal Agricultural Mortgage Corporation Bonds	0	0	446,250
STAROhio	1,019,185	0	0
Total Investments	\$2,309,741	\$1,036,188	\$852,938

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. Federal Farm Credit Bonds, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds and Federal Agricultural Mortgage Corporation 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 Farm Credit Bonds, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds and Federal Agricultural Mortgage Corporation 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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

The following is the City’s allocation as of December 31, 2008:

Investment Issuer	Percentage of Investments
Repurchase Agreement Sweep Account:	
Federal Home Loan Mortgage Corporation Bonds	30.73 %
Federal Farm Credit Bonds	10.18
Federal Home Loan Mortgage Corporation Notes	9.69
Federal Home Loan Bank Bonds	14.50
Federal Agricultural Mortgage Corporation Bonds	10.63
STAROhio	24.27
Total	100.00 %

Note 6 - Receivables

Receivables at December 31, 2008, 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.

A. 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 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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. 2008 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2008, and collected in 2009 real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007 on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers

City of Munroe Falls, Ohio
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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.

The tax rate for all City operations for the year ended December 31, 2008, was \$7.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$114,950,280
Tangible Personal Property	81,917
Public Utility	934,330
Total Valuation	\$115,966,527

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, 2008 and for which there is an enforceable legal claim. In the general, fire department special levy, EMS special levy and general obligation bond retirement funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 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.

B. 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.

C. Intergovernmental Receivable

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

Governmental Activities	
Local Government Tax Distribution	\$128,337
Homestead and Rollback	117,354
Gas Tax Distribution	107,060
Stow-Munroe Falls City Schools	25,000
Motor Vehicle License Tax	18,288
Ohio Department of Transportation	11,590
Summit County Juvenile Court	5,000
Ohio Public Safety	4,000
Office of the Attorney General	1,920
Total	\$418,549

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
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Note 7 - 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 2008, 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 \$7,891,779 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 \$5,000. The law enforcement deductible is \$5,000, the equipment and crime deductibles are \$500, and the inland marine deduction is \$250. 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 8 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2008, was as follows:

	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
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	252,374	21,490	0	273,864
Buildings and Improvements	3,934,856	6,761	0	3,941,617
Equipment	2,395,691	172,038	0	2,567,729
Infrastructure	667,876	285,686	0	953,562
<i>Total Capital Assets, being depreciated</i>	7,250,797	485,975	0	7,736,772
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(90,040)	(9,824)	0	(99,864)
Buildings and Improvements	(943,676)	(81,653)	0	(1,025,329)
Equipment	(1,503,834)	(152,217)	0	(1,656,051)
Infrastructure	(41,850)	(18,035)	0	(59,885)
<i>Total Accumulated Depreciation</i>	(2,579,400)	(261,729) *	0	(2,841,129)
<i>Total Capital Assets being depreciated, Net</i>	4,671,397	224,246	0	4,895,643
<i>Governmental Activities Capital Assets, Net</i>	\$6,325,083	\$224,246	\$0	\$6,549,329

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

* Depreciation expense was charged to governmental activities as follows:

General Government	\$33,643
Security of Persons and Property	170,656
Transportation	47,478
Leisure Time Activities	9,952
Total Depreciation Expense	<u><u>\$261,729</u></u>

Capital asset activity for business-type activities for the year ended December 31, 2008, was as follows:

	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
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	587,399	14,972	0	602,371
Infrastructure	2,555,879	0	0	2,555,879
<i>Total Capital Assets, being depreciated</i>	<u>4,082,378</u>	<u>14,972</u>	<u>0</u>	<u>4,097,350</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(325,456)	(19,109)	0	(344,565)
Equipment	(368,567)	(50,427)	0	(418,994)
Infrastructure	(1,050,177)	(57,810)	0	(1,107,987)
<i>Total Accumulated Depreciation</i>	<u>(1,744,200)</u>	<u>(127,346)</u>	<u>0</u>	<u>(1,871,546)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>2,338,178</u>	<u>(112,374)</u>	<u>0</u>	<u>2,225,804</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u><u>\$2,369,867</u></u>	<u><u>(\$112,374)</u></u>	<u><u>\$0</u></u>	<u><u>\$2,257,493</u></u>

Note 9 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 to the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$48,548, \$51,391, and \$63,111 respectively; 98.18 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$14,858 made by the City and \$10,613 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension 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 the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$59,193 and \$23,455 for the year ended December 31, 2008, \$55,001 and \$22,585 for the year ended December 31, 2007, and \$45,315 and \$21,185 for the year ended December 31, 2006. 95.84 percent has been contributed for police and 93.08 percent has been contributed for firefighters for 2008. The full amount has been contributed for 2007 and 2006.

C. Social Security System

As of December 31, 2008, twenty-five part-time firefighters and seven 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, 2008

Note 10 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten 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 require, 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 administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, state and local government employers contributed 14 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$48,548 , \$39,280 and \$26,434 respectively; 98.18 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

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 as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the 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 reimbursement and long-term care for retirees, qualifying benefit recipients and their eligible dependents.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

OP&F provides access to post-employment healthcare 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 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 – OP&F’s post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare 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 also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also 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 \$31,337 and \$9,178 for the year ended December 31, 2008, \$29,118 and \$8,838 for the year ended December 31, 2007, and \$29,888 and \$10,104 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 95.84 percent has been contributed for police and 93.08 percent has been contributed for firefighters for 2008.

Note 11 – Other Employee Benefits

A. 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 for all full time employees is cumulative and may not exceed 200 hours carryover per year. 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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

B. Insurance

The City provides health and life insurance to its employees through Aetna. Non-bargaining employees have the option to opt out of the health program and receive a 25 percent premium payout, saving the City 75 percent of premium costs. Employees covered under union contracts may have different terms.

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	3.0 % to 4.0%	\$1,820,000	December 1, 2011
Series B General Obligation Bonds	3.0 % to 4.25%	250,525	December 1, 2014
Capital Appreciation Bonds	13.43%	130,000	December 1, 2014
2008 Capital Asset Acquisition Bonds	4.0 % to 5.5%	450,000	December 1, 2013
Business-Type Activities:			
2001 Various Purpose Refunded General Obligation Bonds			
Series B General Obligation Bonds	3.0 % to 4.25%	999,475	December 1, 2014

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

	Balance 12/31/2007	Issued	Retired	Balance 12/31/2008	Amounts Due In One Year
Governmental Activities					
Refunding Bond - Series A					
General Obligation Bond	\$765,000	\$0	(\$180,000)	\$585,000	\$190,000
Capital Appreciation Bond	130,000	0	0	130,000	0
Accretion on Capital Appreciation Bond	156,196	39,718	0	195,914	0
Refunding Bond - Series B					
General Obligation Bond	99,994	0	(11,333)	88,661	11,250
Capital Asset Acquisition Bonds					
General Obligation Bond	0	450,000	0	450,000	80,000
Premium on Bonds	0	12,490	0	12,490	0
Capital Leases	289,953	0	(62,302)	227,651	65,214
Compensated Absences	142,993	71,497	(68,230)	146,260	42,141
Total Governmental Activities	\$1,584,136	\$573,705	(\$321,865)	\$1,835,976	\$388,605
Business-Type Activity					
Refunding Bond - Series B					
General Obligation Bond	\$595,006	\$0	(\$73,667)	\$521,339	\$78,750

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 2008 were \$39,718 which represents the annual accretion of discounted interest. The final amount of the Capital Appreciation Bond will be \$620,000.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

In April 2007, the City entered into a capital lease to purchase an ambulance through First Merit Bank. The cost of the ambulance and the amount of the lease is in the amount of \$136,892 with an interest rate of 4.88 percent. Annual payments of principal and interest are to be made through April 2009. Payments are to be made out of the City's EMS special levy fund.

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

As of December 31, 2008, the City's overall legal debt margin was \$10,930,323 and the unvoted legal debt margin was \$5,131,997. Principal and interest requirements to retire the outstanding debt at December 31, 2008, are as follows:

Governmental Activities								
	General Obligation Refunding Bond - Series A		Capital Appreciation Bond - Series A		General Obligation Refunding Bond - Series B		General Obligation Capital Acquisition	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$190,000	\$22,825	\$0	\$0	\$11,250	\$3,584	\$80,000	\$23,754
2010	195,000	15,605	0	0	16,667	3,162	85,000	17,862
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	\$585,000	\$46,430	\$130,000	\$490,000	\$88,661	\$12,972	\$450,000	\$70,716

Business-Type Activities		
General Obligation Refunding Bond - Series B		
	Principal	Interest
2009	\$78,750	\$21,074
2010	83,333	18,076
2011	84,211	14,830
2012	89,250	11,464
2013	90,000	7,896
2014	95,795	4,072
Totals	\$521,339	\$77,412

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 13 - Capital Leases

The City entered into a capital lease for a fire truck in 2004 and an ambulance in 2007. The leases met 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 leases were entered into.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$389,823
Less: Accumulated depreciation	(44,041)
Total	\$345,782

Such agreements provide for minimum, annual lease payments as follows:

	Governmental Activities
2009	\$75,085
2010	27,264
2011	27,264
2012	27,264
2013	27,264
2014-2016	81,792
Total Minimum Lease Payment	265,933
Less: Amount Representing Interest	(38,282)
Present Value of Minimum Lease Payments	\$227,651

Note 14 – Contingencies

A. 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.

B. Litigation

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

Note 15 – Interfund Transfers

During 2008 the capital improvement capital projects fund transferred \$15,333 to the general obligation bond retirement debt service fund to provide additional resources for debt service.

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Mary Taylor, CPA

Auditor of State

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

City of 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 11, 2009. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the City's management in a separate letter dated August 11, 2009.

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated August 11, 2009.

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

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

Mary Taylor, CPA
Auditor of State

August 11, 2009



Mary Taylor, CPA
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
OCTOBER 1, 2009**