

Mary Taylor, CPA
Auditor of State

**CITY OF MUNROE FALLS
SUMMIT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Munroe Falls, Summit County, Ohio, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison 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 16, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

August 16, 2010

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
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, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are:

- 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.
- In this uncertain economic age, the City has experienced a drop in municipal income taxes collected, which is the largest revenue source. High unemployment rates have hit the area and the City has been affected by the recession the entire world is currently facing. 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, street and sewer infrastructures. The City monitors its sources of revenue very closely for any changes or fluctuations.

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 2009?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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

The *Statement of Net Assets* and the *Statement of Activities* are divided into the following categories:

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

Reporting the City of Munroe Falls' Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 8. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services and facilities provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Munroe Falls, the major funds are the general, fire department special levy, EMS special levy, general obligation bond retirement, capital improvement, and 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.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's only fiduciary fund is an agency fund.

The City as a Whole

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

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	\$4,977,002	\$5,150,661	\$2,603,926	\$2,446,191	\$7,580,928	\$7,596,852
Capital Assets, Net	6,442,574	6,549,329	2,131,629	2,257,493	8,574,203	8,806,822
<i>Total Assets</i>	<u>11,419,576</u>	<u>11,699,990</u>	<u>4,735,555</u>	<u>4,703,684</u>	<u>16,155,131</u>	<u>16,403,674</u>
Liabilities						
Current and Other Liabilities	935,765	896,231	26,904	27,857	962,669	924,088
Long-Term Liabilities:						
Due Within One Year	359,387	388,605	83,333	78,750	442,720	467,355
Due in More than One Year	1,183,324	1,447,371	359,256	442,589	1,542,580	1,889,960
<i>Total Liabilities</i>	<u>2,478,476</u>	<u>2,732,207</u>	<u>469,493</u>	<u>549,196</u>	<u>2,947,969</u>	<u>3,281,403</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	5,307,726	5,068,017	1,733,453	1,789,450	7,041,179	6,857,467
Restricted:						
Capital Projects	666,666	743,026	0	0	666,666	743,026
Debt Service	37,446	26,807	0	0	37,446	26,807
Street Maintenance and Repair	462,860	503,496	0	0	462,860	503,496
Fire Department	225,572	223,878	0	0	225,572	223,878
EMS	308,424	335,157	0	0	308,424	335,157
Other Purposes	356,020	372,721	0	0	356,020	372,721
Unrestricted	1,576,386	1,694,681	2,532,609	2,365,038	4,108,995	4,059,719
<i>Total Net Assets</i>	<u>\$8,941,100</u>	<u>\$8,967,783</u>	<u>\$4,266,062</u>	<u>\$4,154,488</u>	<u>\$13,207,162</u>	<u>\$13,122,271</u>

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

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal years 2009 and 2008.

Table 2
Changes in Net Assets

	Governmental		Business-Type		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$282,188	\$241,988	\$842,191	\$793,370	\$1,124,379	\$1,035,358
Operating Grants and Contributions	324,486	438,485	0	0	324,486	438,485
Capital Grants and Contributions	5,753	11,590	0	0	5,753	11,590
<i>Total Program Revenues</i>	<u>612,427</u>	<u>692,063</u>	<u>842,191</u>	<u>793,370</u>	<u>1,454,618</u>	<u>1,485,433</u>
<i>General Revenues:</i>						
Property Taxes	784,621	772,531	0	0	784,621	772,531
Income Tax	960,585	1,154,463	0	0	960,585	1,154,463
Grants and Entitlements not Restricted to Specific Programs	406,272	592,149	0	0	406,272	592,149
Interest	24,838	226,901	0	0	24,838	226,901
Other	143,680	58,466	1,916	655	145,596	59,121
<i>Total General Revenues</i>	<u>2,319,996</u>	<u>2,804,510</u>	<u>1,916</u>	<u>655</u>	<u>2,321,912</u>	<u>2,805,165</u>
<i>Total Revenues</i>	<u>2,932,423</u>	<u>3,496,573</u>	<u>844,107</u>	<u>794,025</u>	<u>3,776,530</u>	<u>4,290,598</u>
<i>Program Expenses:</i>						
General Government	669,115	732,436	0	0	669,115	732,436
Security of Persons and Property	1,709,407	1,700,975	0	0	1,709,407	1,700,975
Transportation	398,172	458,303	0	0	398,172	458,303
Public Health and Welfare	40,331	39,437	0	0	40,331	39,437
Leisure Time Activities	43,096	37,051	0	0	43,096	37,051
Water Operations	0	0	731,980	761,702	731,980	761,702
Interest and Fiscal Charges	99,538	89,355	0	0	99,538	89,355
<i>Total Program Expenses</i>	<u>2,959,659</u>	<u>3,057,557</u>	<u>731,980</u>	<u>761,702</u>	<u>3,691,639</u>	<u>3,819,259</u>
Excess Revenues over Expenses	(27,236)	439,016	112,127	32,323	84,891	471,339
Transfers	553	0	(553)	0	0	0
Increase in Net Assets	(26,683)	439,016	111,574	32,323	84,891	471,339
Net Assets Beginning of Year	8,967,783	8,528,767	4,154,488	4,122,165	13,122,271	12,650,932
Net Assets End of Year	<u>\$8,941,100</u>	<u>\$8,967,783</u>	<u>\$4,266,062</u>	<u>\$4,154,488</u>	<u>\$13,207,162</u>	<u>\$13,122,271</u>

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

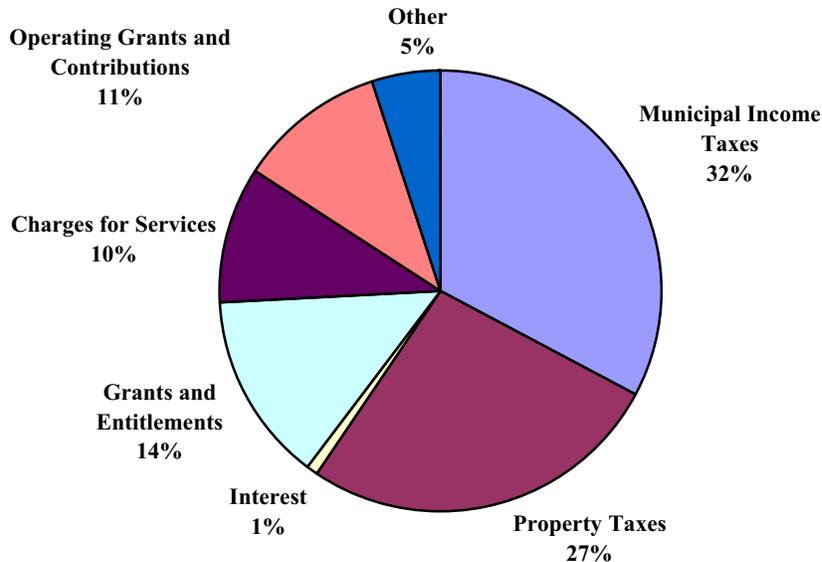
Governmental Activities

Several revenue sources fund the City's governmental activities with City income tax being the largest. An income tax of 2 percent is levied on substantially all income earned within the City. In addition, income of residents earned outside of the City is subject to income tax; however, credit is allowed for income taxes paid to other municipalities and to the Joint Economic Development District up to 100 percent of the City's current tax rate. Income tax revenues decreased in 2009, mainly due to higher unemployment rates within the City.

General revenues from property taxes and local government funds are also significant revenue generators. Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January of that preceding year, the lien date. Assessed values are established by the County Fiscal Officer at 35 percent of the appraised market value. All property is required to be revalued every six years with triennial updates. Property tax revenues increased slightly but with no material difference between 2009 and 2008.

Investment income for 2009 was significantly less than in 2008. This change was due to a decrease in the number of investments held in 2009 and lower interest rates. Operating grants and contributions and capital grants decreased in 2009. This was due mainly to a decrease in the availability of grants for the City.

2009 Revenues



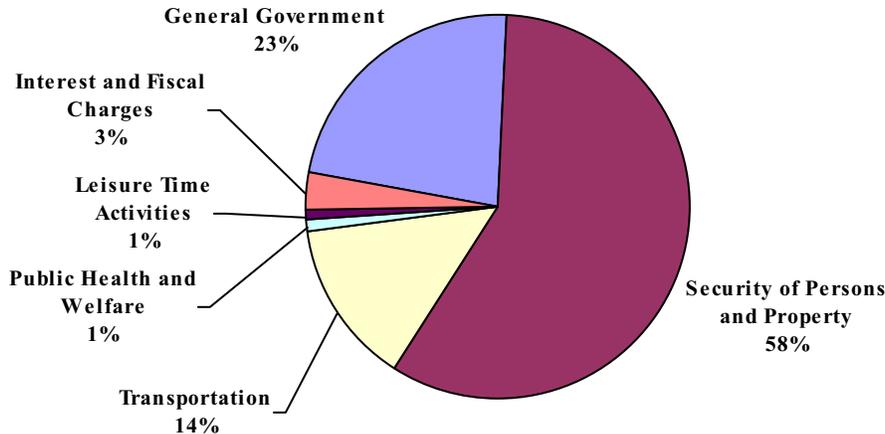
The police department continues to operate very efficiently utilizing full and part time personnel. The police department is funded primarily from revenues generated through the general fund. The fire department is primarily a volunteer force and works from two fire stations. Operations are funded primarily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

General government expenses include such services as planning, zoning, administration, finance, legal, legislature, lands and buildings, and engineering. The City was able to reduce expenses in this area due to the turnover of personnel and reductions in the need for legal and engineering services.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Transportation costs include street lighting, snow and ice removal and the costs of maintaining the City streets. These costs were reduced in 2009 because of lower material prices for items such as gasoline and salt and less need for overtime work in the winter due to more manageable season weather.

2009 Expenses



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 \$3,116,096 and expenditures of \$3,149,396. The most significant fund is the general fund with a year-end balance of \$1,740,916, which included an unreserved fund balance of \$1,655,034, compared to annual expenditures of \$1,831,940. 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, 2009. 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, 2009 the City's combined ending cash and cash equivalents balance was \$3,396,500. Along those same lines, the City's 2009 ending combined governmental fund balance is \$3,679,714. Of this balance, \$3,467,700 is classified as unreserved fund balances. The reserved portions are not spendable because they are committed to satisfy carry-forward purchase order encumbrances of \$212,014.

The fire department special levy and EMS special levy special revenue funds had revenues of \$183,391 and \$373,056, respectively. The fire department special levy fund had an increase of fund balance, ending the year with a fund balance of \$214,520. The EMS special levy fund also had an increase of fund balance, ending the year with a fund balance of \$293,287.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
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The general obligation bond retirement fund had a fund balance of \$12,975, all of which was unreserved, and an ending cash and cash equivalents balance of \$12,975. Revenues for the year were \$220,500 with expenditures of \$229,858.

The capital improvement fund had a fund balance of \$434,387, of which \$349,318 was unreserved, leaving \$85,069 reserved for encumbrances. The cash and cash equivalents balance was \$406,646. Revenues for the year were \$170,754 with expenditures of \$192,336.

Business-Type Fund

As mentioned earlier, the City's lone business-type activity is the water fund. Net assets of the water fund increased in 2009 by \$111,574. This was mainly due to an increase in water charges for services. The City was also able to keep the costs of running the City's water down in 2009, while still maintaining the same quality of service.

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

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. At the direction of Council, all capital projects and requests for capital purchases must be reviewed and approved individually by Council. Recommendations and requests for budget changes are referred to the Finance Committee of City Council for review, after which they are sent to the formal Council meeting for ordinance enactment on the change. The City's legal level of control has been established by Council at the personal services and other object level within each fund and department.

The most significant budgeted fund is the general fund. The general fund supports many major activities such as the police, building and planning departments as well as the legislative and most executive activities. Some major capital projects are funded with general fund dollars. By legislation, these funds are transferred from the general fund to capital projects funds where the revenue and expenditures for the capital improvement are tracked and monitored. For the general fund, the original budgeted revenues were \$2,219,843 and the final budgeted amount was \$2,052,014. The majority of this \$167,829 difference is due to a decrease in estimated property 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.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$1,653,686	\$1,653,686	\$31,689	\$31,689	\$1,685,375	\$1,685,375
Land Improvements	163,689	174,000	0	0	163,689	174,000
Buildings and Improvements	2,872,517	2,916,288	575,426	594,535	3,447,943	3,510,823
Equipment	884,635	911,678	134,432	183,377	1,019,067	1,095,055
Infrastructure	868,047	893,677	1,390,082	1,447,892	2,258,129	2,341,569
Totals	<u>\$6,442,574</u>	<u>\$6,549,329</u>	<u>\$2,131,629</u>	<u>\$2,257,493</u>	<u>\$8,574,203</u>	<u>\$8,806,822</u>

Total governmental capital assets for the City of Munroe Falls as of December 31, 2009 were \$6,442,574. Additions were primarily made to equipment and infrastructure during the year, however, depreciation expense outpaced the addition resulting in a decrease in capital assets. For additional information see Note 8 to the basic financial statements.

Debt

On December 31, 2009, the City of Munroe Falls had \$1,828,572 in outstanding debt from general obligation bonds, capital appreciation bonds and capital leases. This represents obligations backed by the full faith and credit of the government. Table 4 summarizes bonds and loans outstanding as of December 31, 2009.

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activity		Total	
	2009	2008	2009	2008	2009	2008
Refunding Bond - Series A						
General Obligation Bonds	\$395,000	\$585,000	\$0	\$0	\$395,000	\$585,000
Capital Appreciation Bonds	130,000	130,000	0	0	130,000	130,000
Accretion on Capital						
Appreciation Bonds	241,143	195,914	0	0	241,143	195,914
Refunding Bond - Series B						
General Obligation Bonds	77,411	88,661	442,589	521,339	520,000	610,000
Capital Asset Acquisition Bonds						
General Obligation Bonds	370,000	450,000	0	0	370,000	450,000
Premium on Bonds	9,992	12,490	0	0	9,992	12,490
Capital Leases	162,437	227,651	0	0	162,437	227,651
Totals	<u>\$1,385,983</u>	<u>\$1,689,716</u>	<u>\$442,589</u>	<u>\$521,339</u>	<u>\$1,828,572</u>	<u>\$2,211,055</u>

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

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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 13 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.

**BASIC FINANCIAL
STATEMENTS**

City of Munroe Falls, Ohio

Statement of Net Assets

December 31, 2009

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,396,500	\$2,370,555	\$5,767,055
Materials and Supplies Inventory	6,100	699	6,799
Accrued Interest Receivable	29,218	0	29,218
Accounts Receivable	110,039	178,675	288,714
Intergovernmental Receivable	389,508	0	389,508
Prepaid Items	28,481	9,584	38,065
Income Taxes Receivable	230,497	0	230,497
Property Taxes Receivable	786,659	0	786,659
Deferred Charges	0	44,413	44,413
Nondepreciable Capital Assets	1,653,686	31,689	1,685,375
Depreciable Capital Assets, Net	4,788,888	2,099,940	6,888,828
<i>Total Assets</i>	<u>11,419,576</u>	<u>4,735,555</u>	<u>16,155,131</u>
Liabilities			
Accounts Payable	32,658	8,605	41,263
Accrued Wages	38,594	3,393	41,987
Intergovernmental Payable	109,541	13,400	122,941
Accrued Interest Payable	2,933	1,506	4,439
Deferred Revenue	752,039	0	752,039
Long-Term Liabilities:			
Due Within One Year	359,387	83,333	442,720
Due In More Than One Year	1,183,324	359,256	1,542,580
<i>Total Liabilities</i>	<u>2,478,476</u>	<u>469,493</u>	<u>2,947,969</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	5,307,726	1,733,453	7,041,179
Restricted for:			
Capital Projects	666,666	0	666,666
Debt Service	37,446	0	37,446
Street Maintenance and Repair	462,860	0	462,860
Fire Department	225,572	0	225,572
EMS	308,424	0	308,424
Other Purposes	356,020	0	356,020
Unrestricted	1,576,386	2,532,609	4,108,995
<i>Total Net Assets</i>	<u>\$8,941,100</u>	<u>\$4,266,062</u>	<u>\$13,207,162</u>

See accompanying notes to the basic financial statements

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

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$669,115	\$70,273	\$919	\$0
Security of Persons and Property	1,709,407	199,240	49,860	0
Transportation	398,172	7,451	273,707	5,753
Public Health and Welfare	40,331	3,115	0	0
Leisure Time Activities	43,096	2,109	0	0
Interest and Fiscal Charges	99,538	0	0	0
<i>Total Governmental Activities</i>	2,959,659	282,188	324,486	5,753
Business-Type Activity:				
Water	731,980	842,191	0	0
<i>Total</i>	<u>\$3,691,639</u>	<u>\$1,124,379</u>	<u>\$324,486</u>	<u>\$5,753</u>

General Revenues

Property and Other Local Taxes Levied for:

General Purposes

Fire Department

EMS

General Obligation Bond Retirement

Income Tax Levied for:

General Purposes

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$597,923)	\$0	(\$597,923)
(1,460,307)	0	(1,460,307)
(111,261)	0	(111,261)
(37,216)	0	(37,216)
(40,987)	0	(40,987)
(99,538)	0	(99,538)
(2,347,232)	0	(2,347,232)
0	110,211	110,211
(2,347,232)	110,211	(2,237,021)
255,636	0	255,636
158,978	0	158,978
180,173	0	180,173
189,834	0	189,834
843,588	0	843,588
116,997	0	116,997
406,272	0	406,272
24,838	0	24,838
143,680	1,916	145,596
2,319,996	1,916	2,321,912
553	(553)	0
(26,683)	111,574	84,891
8,967,783	4,154,488	13,122,271
\$8,941,100	\$4,266,062	\$13,207,162

City of Munroe Falls, Ohio

Balance Sheet

Governmental Funds

December 31, 2009

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,570,989	\$228,949	\$258,171	\$12,975	\$406,646
Materials and Supplies Inventory	6,100	0	0	0	0
Accrued Interest Receivable	29,218	0	0	0	0
Accounts Receivable	26,231	23	53,462	0	0
Intergovernmental Receivable	184,144	23,528	26,665	29,331	0
Prepaid Items	19,923	595	2,643	0	2,972
Income Taxes Receivable	202,837	0	0	0	27,660
Property Taxes Receivable	253,000	158,126	179,207	196,326	0
<i>Total Assets</i>	<u>\$2,292,442</u>	<u>\$411,221</u>	<u>\$520,148</u>	<u>\$238,632</u>	<u>\$437,278</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$26,896	\$188	\$2,524	\$0	\$25
Accrued Wages	27,735	4,250	4,852	0	0
Intergovernmental Payable	80,477	10,609	13,613	0	0
Deferred Revenue	416,418	181,654	205,872	225,657	2,866
<i>Total Liabilities</i>	<u>551,526</u>	<u>196,701</u>	<u>226,861</u>	<u>225,657</u>	<u>2,891</u>
Fund Balances					
Reserved for Encumbrances	85,882	3,210	5,453	0	85,069
Unreserved, Undesignated, Reported in:					
General Fund	1,655,034	0	0	0	0
Special Revenue Funds	0	211,310	287,834	0	0
Debt Service Fund	0	0	0	12,975	0
Capital Projects Funds	0	0	0	0	349,318
<i>Total Fund Balances</i>	<u>1,740,916</u>	<u>214,520</u>	<u>293,287</u>	<u>12,975</u>	<u>434,387</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,292,442</u>	<u>\$411,221</u>	<u>\$520,148</u>	<u>\$238,632</u>	<u>\$437,278</u>

See accompanying notes to the basic financial statements

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

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$3,679,714
		<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.	6,442,574
		Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
\$918,770	\$3,396,500	Property Taxes	34,620
0	6,100	Income Taxes	23,875
0	29,218	Grants	305,961
30,323	110,039	Total	364,456
125,840	389,508		
2,348	28,481		
0	230,497		
0	786,659		
\$1,077,281	\$4,977,002	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(2,933)
		Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
\$3,025	\$32,658	General Obligation Bonds	(842,411)
1,757	38,594	Capital Appreciaton Bonds	(371,143)
4,842	109,541	Capital Leases	(162,437)
84,028	1,116,495	Premium on Bonds	(9,992)
		Compensated Absences	(156,728)
93,652	1,297,288	Total	(1,542,711)
		<i>Net Assets of Governmental Activities</i>	\$8,941,100
32,400	212,014		
0	1,655,034		
722,945	1,222,089		
0	12,975		
228,284	577,602		
983,629	3,679,714		
\$1,077,281	\$4,977,002		

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

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement
Revenues					
Property Taxes	\$256,130	\$159,286	\$180,523	\$190,823	\$0
Income Taxes	974,002	0	0	0	134,780
Special Assessments	0	0	0	0	0
Intergovernmental	353,822	23,805	26,979	29,677	17,343
Interest	10,101	0	0	0	0
Fines, Licenses and Permits	125,805	0	0	0	0
Charges for Services	14,654	0	165,254	0	0
Contributions and Donations	345	0	0	0	0
Other	124,449	300	300	0	18,631
<i>Total Revenues</i>	<u>1,859,308</u>	<u>183,391</u>	<u>373,056</u>	<u>220,500</u>	<u>170,754</u>
Expenditures					
Current:					
General Government	616,715	2,502	2,792	2,199	0
Security of Persons and Property	1,039,714	168,418	291,234	0	0
Transportation	107,876	0	0	0	0
Public Health and Welfare	40,331	0	0	0	0
Leisure Time Activities	27,304	0	0	0	0
Capital Outlay	0	0	2,499	0	146,139
Debt Service:					
Principal Retirement	0	0	45,596	201,250	34,618
Interest and Fiscal Charges	0	0	2,225	26,409	11,579
<i>Total Expenditures</i>	<u>1,831,940</u>	<u>170,920</u>	<u>344,346</u>	<u>229,858</u>	<u>192,336</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>27,368</u>	<u>12,471</u>	<u>28,710</u>	<u>(9,358)</u>	<u>(21,582)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	14,834	0
Transfers Out	(5,194)	(915)	(915)	0	(14,834)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,194)</u>	<u>(915)</u>	<u>(915)</u>	<u>14,834</u>	<u>(14,834)</u>
<i>Net Change in Fund Balances</i>	22,174	11,556	27,795	5,476	(36,416)
<i>Fund Balances Beginning of Year</i>	<u>1,718,742</u>	<u>202,964</u>	<u>265,492</u>	<u>7,499</u>	<u>470,803</u>
<i>Fund Balances End of Year</i>	<u>\$1,740,916</u>	<u>\$214,520</u>	<u>\$293,287</u>	<u>\$12,975</u>	<u>\$434,387</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, 2009*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$32,747)
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
		Governmental funds report capital outlays as expenditures.	
		However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
\$0	\$786,762	Capital Asset Additions	165,488
0	1,108,782	Current Year Depreciation	<u>(272,243)</u>
21,002	21,002		
273,273	724,899		
14,737	24,838		
75	125,880		
0	179,908		
0	345		
0	143,680		
<u>309,087</u>	<u>3,116,096</u>	Total	(106,755)
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
		Property Taxes	(2,141)
0	624,208	Income Taxes	(148,197)
7,106	1,506,472	Grants	11,267
239,014	346,890	Charges for Services	<u>(44,602)</u>
0	40,331		
0	27,304		
49,055	197,693	Total	(183,673)
		Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	346,464
65,000	346,464		
19,821	60,034		
<u>379,996</u>	<u>3,149,396</u>	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
(70,909)	(33,300)	Accrued Interest	3,227
		Amortization of Bond Premium	2,498
8,000	22,834	Bond Accretion	<u>(45,229)</u>
(423)	(22,281)		
<u>7,577</u>	<u>553</u>	Total	(39,504)
(63,332)	(32,747)	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.	<u>(10,468)</u>
1,046,961	3,712,461		
<u>\$983,629</u>	<u>\$3,679,714</u>	<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$26,683)</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$294,963	\$259,537	\$256,130	(\$3,407)
Income Taxes	1,022,782	998,726	885,093	(113,633)
Intergovernmental	449,347	395,378	390,188	(5,190)
Interest	138,311	121,699	120,102	(1,597)
Fines, Licenses and Permits	154,076	135,570	133,791	(1,779)
Charges for Services	16,876	14,849	14,654	(195)
Contributions and Donations	397	350	345	(5)
Other	143,091	125,905	124,252	(1,653)
<i>Total Revenues</i>	<u>2,219,843</u>	<u>2,052,014</u>	<u>1,924,555</u>	<u>(127,459)</u>
Expenditures				
Current:				
General Government	707,381	781,796	700,240	81,556
Security of Persons and Property	1,135,369	1,111,125	1,043,883	67,242
Transportation	112,388	129,492	113,990	15,502
Public Health and Welfare	45,256	40,632	40,331	301
Leisure Time Activities	30,081	31,733	28,107	3,626
<i>Total Expenditures</i>	<u>2,030,475</u>	<u>2,094,778</u>	<u>1,926,551</u>	<u>168,227</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	189,368	(42,764)	(1,996)	40,768
Other Financing Uses				
Transfers Out	(5,194)	(5,194)	(5,194)	0
<i>Net Change in Fund Balance</i>	184,174	(47,958)	(7,190)	40,768
<i>Fund Balance Beginning of Year</i>	1,408,785	1,408,785	1,408,785	0
Prior Year Encumbrances Appropriated	68,025	68,025	68,025	0
<i>Fund Balance End of Year</i>	<u>\$1,660,984</u>	<u>\$1,428,852</u>	<u>\$1,469,620</u>	<u>\$40,768</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Department Special Levy Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$156,486	\$151,725	\$159,286	\$7,561
Intergovernmental	23,387	22,675	23,805	1,130
Other	295	286	300	14
<i>Total Revenues</i>	<u>180,168</u>	<u>174,686</u>	<u>183,391</u>	<u>8,705</u>
Expenditures				
Current:				
General Government	2,768	2,768	2,502	266
Security of Persons and Property	174,551	174,551	167,611	6,940
<i>Total Expenditures</i>	<u>177,319</u>	<u>177,319</u>	<u>170,113</u>	<u>7,206</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	2,849	(2,633)	13,278	15,911
Other Financing Uses				
Transfers Out	(915)	(915)	(915)	0
<i>Net Change in Fund Balance</i>	1,934	(3,548)	12,363	15,911
<i>Fund Balance Beginning of Year</i>	<u>213,178</u>	<u>213,178</u>	<u>213,178</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$215,112</u></u>	<u><u>\$209,630</u></u>	<u><u>\$225,541</u></u>	<u><u>\$15,911</u></u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
EMS Special Levy Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$181,836	\$177,237	\$180,523	\$3,286
Intergovernmental	31,204	30,415	30,979	564
Charges for Services	112,628	109,780	111,815	2,035
Other	302	295	300	5
<i>Total Revenues</i>	<u>325,970</u>	<u>317,727</u>	<u>323,617</u>	<u>5,890</u>
Expenditures				
Current:				
General Government	3,037	2,800	2,792	8
Security of Persons and Property	311,541	316,882	294,339	22,543
Capital Outlay	6,923	3,000	2,499	501
Debt Service:				
Principal Retirement	45,596	45,596	45,596	0
Interest and Fiscal Charges	2,225	2,225	2,225	0
<i>Total Expenditures</i>	<u>369,322</u>	<u>370,503</u>	<u>347,451</u>	<u>23,052</u>
<i>Excess of Revenues Under Expenditures</i>	(43,352)	(52,776)	(23,834)	28,942
Other Financing Uses				
Transfers Out	(995)	(915)	(915)	0
<i>Net Change in Fund Balance</i>	(44,347)	(53,691)	(24,749)	28,942
<i>Fund Balance Beginning of Year</i>	271,089	271,089	271,089	0
Prior Year Encumbrances Appropriated	3,854	3,854	3,854	0
<i>Fund Balance End of Year</i>	<u>\$230,596</u>	<u>\$221,252</u>	<u>\$250,194</u>	<u>\$28,942</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio

Statement of Fund Net Assets

Enterprise Fund

December 31, 2009

	<u>Water</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$2,370,555
Accounts Receivable	178,675
Materials and Supplies Inventory	699
Prepaid Items	<u>9,584</u>
<i>Total Current Assets</i>	<u>2,559,513</u>
<i>Non-Current Assets:</i>	
Deferred Charges	44,413
Land	31,689
Depreciable Capital Assets, Net	<u>2,099,940</u>
<i>Total Non-Current Assets</i>	<u>2,176,042</u>
<i>Total Assets</i>	<u>4,735,555</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	8,605
Accrued Wages	3,393
Intergovernmental Payable	13,400
Accrued Interest Payable	1,506
General Obligation Bonds Payable	<u>83,333</u>
<i>Total Current Liabilities</i>	110,237
<i>Long-Term Liabilities:</i>	
General Obligation Bonds Payable (net of current portion)	<u>359,256</u>
<i>Total Liabilities</i>	<u>469,493</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,733,453
Unrestricted	<u>2,532,609</u>
<i>Total Net Assets</i>	<u>\$4,266,062</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, 2009*

	Water
Operating Revenues	
Charges for Services	\$842,191
Other	1,916
<i>Total Operating Revenues</i>	844,107
Operating Expenses	
Personal Services	166,764
Contractual Services	360,802
Materials and Supplies	48,843
Depreciation	125,864
<i>Total Operating Expenses</i>	702,273
<i>Operating Income</i>	141,834
Non-Operating Expenses	
Interest and Fiscal Charges	(29,707)
<i>Income before Transfers</i>	112,127
Transfers Out	(553)
<i>Change in Net Assets</i>	111,574
<i>Net Assets Beginning of Year</i>	4,154,488
<i>Net Assets End of Year</i>	\$4,266,062

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, 2009

	Water
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$842,549
Other Cash Receipts	577
Cash Payments to Employees for Services	(162,441)
Cash Payments for Goods and Services	(413,780)
<i>Net Cash Provided by Operating Activities</i>	266,905
Cash Flows from Noncapital Financing Activities	
Transfers Out	(553)
Cash Flows from Capital and Related Financing Activities	
Principal Paid on General Obligation Bonds	(78,750)
Interest Paid on General Obligation Bonds	(21,074)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(99,824)
<i>Net Increase in Cash and Cash Equivalents</i>	166,528
<i>Cash and Cash Equivalents Beginning of Year</i>	2,204,027
<i>Cash and Cash Equivalents End of Year</i>	\$2,370,555

(continued)

City of Munroe Falls, Ohio
Statement of Cash Flows
Enterprise Fund (continued)
For the Year Ended December 31, 2009

	<u>Water</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$141,834
Adjustments:	
Depreciation	125,864
(Increase) Decrease in Assets:	
Accounts Receivable	(981)
Prepaid Items	511
Materials and Supplies Inventory	380
Increase (Decrease) in Liabilities:	
Accounts Payable	3,639
Accrued Wages	490
Intergovernmental Payable	<u>(4,832)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$266,905</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, 2009

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$95,146</u></u>
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Liabilities

Undistributed Monies	<u><u>\$95,146</u></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, 2009

Note 1 – Description of the City and Reporting Entity

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

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

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Munroe Falls this includes police, fire, emergency medical services, street construction, parks, water utility, general administrative services and a City council.

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. The more significant of the City's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

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

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as either governmental, proprietary or fiduciary.

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

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

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

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The agency fund is used to account for contractor deposits.

Measurement Focus

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

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

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

Basis of Accounting

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

City of Munroe Falls, Ohio
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For the Year Ended December 31, 2009

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, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Cash and Cash Equivalents

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

During fiscal year 2009, investments were limited to certificates of deposit, repurchase agreements sweep accounts, federal farm credit bonds, federal home loan bank bonds, federal agricultural mortgage corporation bonds and STAROhio.

City of Munroe Falls, Ohio
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For the Year Ended December 31, 2009

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, 2009.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2009 amounted to \$10,101, which includes \$4,672 assigned from other City funds.

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

Prepaid Items

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

Inventory

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

City of Munroe Falls, Ohio
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Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Land Improvements	25 years	N/A
Buildings and Improvements	25-50 years	25-50 years
Equipment	5-25 years	5-25 years
Infrastructure	40 years	40 years

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

Compensated Absences

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

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary funds financial statements.

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

Fund Balance Reserve

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditures. As a result, encumbrances are recorded as a reservation of fund balance.

Net Assets

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

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

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

Operating Revenues and Expenses

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

Internal Activity

Transfers between governmental 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.

Extraordinary and Special Items

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

Bond Issuance Costs

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

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

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.

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

Estimates

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

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services and other object level within each fund and department. For the other object level the Finance Director has been authorized to allocate appropriations within each department and any object level which he maintains on his books, other than personal services.

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

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

Note 3 – Change in Accounting Principles

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the City's financial statements.

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GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the City's financial statements.

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).

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

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	\$22,174	\$11,556	\$27,795
Adjustment for Revenue Accruals	190,622	0	(49,439)
Beginning Fair Value Adjustment for Investments	(109,682)	0	0
Ending Fair Value Adjustment for Investments	(15,693)	0	0
Adjustment for Expenditure Accruals	22,451	4,215	4,872
Adjustment for Encumbrances	(117,062)	(3,408)	(7,977)
Budget Basis	(\$7,190)	\$12,363	(\$24,749)

Note 5 - Deposits and Investments

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

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

City of Munroe Falls, Ohio
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For the Year Ended December 31, 2009

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

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

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

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

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$271,633 of the City's bank balance of \$2,505,191 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.

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

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

Investments

As of December 31, 2009, 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	\$750,000	\$0	\$0
Federal Farm Credit Bonds	412,500	0	299,718
Federal Home Loan Bank Bonds	0	0	267,298
Federal Agricultural Mortgage Corporation Bonds	0	438,900	0
STAROhio	1,022,000	0	0
Total Investments	<u>\$2,184,500</u>	<u>\$438,900</u>	<u>\$567,016</u>

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

Credit Risk. The repurchase agreements were backed by Federal Home Loan Mortgage Corporation Bonds, which carry a rating of Aaa by Moody's. Federal Farm Credit Bonds, 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 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.

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, 2009:

Investment Issuer	Percentage
Repurchase Agreement Sweep Account:	
Federal Home Loan Mortgage Corporation Bonds	23.51 %
Federal Farm Credit Bonds	22.32
Federal Home Loan Bank Bonds	8.38
Federal Agricultural Mortgage Corporation Bonds	13.76

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

Note 6 - Receivables

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property taxes, accounts, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full and are expected to be received within one year; however, property taxes and income taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien December 31, 2008, are levied after October 1, 2009, and collected in 2010 real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may be annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

The tax rate for all City operations for the year ended December 31, 2009, was \$7.47 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$115,382,080
Tangible Personal Property	49,385
Public Utility	928,490
Total Valuation	<u>\$116,359,955</u>

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, 2009 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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
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taxes were not levied to finance 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

Municipal Income Taxes

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

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

Intergovernmental Receivable

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

Governmental Activities	
Homestead and Rollback	\$117,169
Local Government	111,999
Gas Tax Distribution	106,854
Stow-Munroe Falls City Schools	30,000
Motor Vehicle License Tax	18,986
Ohio Public Safety	4,500
Total	\$389,508

Note 7 - 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	(130,636)
Total	\$259,187

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

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

	Governmental Activities
2010	\$27,264
2011	27,264
2012	27,264
2013	27,264
2014	27,264
2015-2016	54,528
Total Minimum Lease Payment	190,848
Less: Amount Representing Interest	(28,411)
Present Value of Minimum Lease Payments	\$162,437

Note 8 – Capital Assets

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

	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,653,686	\$0	\$0	\$1,653,686
<i>Capital Assets, being depreciated</i>				
Land Improvements	273,864	0	0	273,864
Buildings and Improvements	3,941,617	19,886	0	3,961,503
Equipment	2,567,729	126,378	0	2,694,107
Infrastructure	953,562	19,224	0	972,786
<i>Total Capital Assets, being depreciated</i>	7,736,772	165,488	0	7,902,260
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(99,864)	(10,311)	0	(110,175)
Buildings and Improvements	(1,025,329)	(63,657)	0	(1,088,986)
Equipment	(1,656,051)	(153,421)	0	(1,809,472)
Infrastructure	(59,885)	(44,854)	0	(104,739)
<i>Total Accumulated Depreciation</i>	(2,841,129)	(272,243) *	0	(3,113,372)
<i>Total Capital Assets being depreciated, Net</i>	4,895,643	(106,755)	0	4,788,888
<i>Governmental Activities Capital Assets, Net</i>				
	\$6,549,329	(\$106,755)	\$0	\$6,442,574

* Depreciation expense was charged to governmental activities as follows:

General Government	\$38,193
Security of Persons and Property	168,206
Transportation	55,659
Leisure Time Activities	10,185
Total Depreciation Expense	\$272,243

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

Capital asset activity for business-type activities for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$31,689	\$0	\$0	\$31,689
<i>Capital Assets, being depreciated</i>				
Buildings	939,100	0	0	939,100
Equipment	602,371	0	0	602,371
Infrastructure	2,555,879	0	0	2,555,879
<i>Total Capital Assets, being depreciated</i>	4,097,350	0	0	4,097,350
<i>Less Accumulated Depreciation:</i>				
Buildings	(344,565)	(19,109)	0	(363,674)
Equipment	(418,994)	(48,945)	0	(467,939)
Infrastructure	(1,107,987)	(57,810)	0	(1,165,797)
<i>Total Accumulated Depreciation</i>	(1,871,546)	(125,864)	0	(1,997,410)
<i>Total Capital Assets being depreciated, Net</i>	2,225,804	(125,864)	0	2,099,940
<i>Business-Type Activities Capital Assets, Net</i>	\$2,257,493	(\$125,864)	\$0	\$2,131,629

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability and survivor 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, 2009, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

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

The City's contribution rate for 2009 was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$48,521, \$48,548, and \$51,391 respectively; 84.53 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the Member-Directed plan for 2009 were \$14,858 made by the City and \$10,613 made by the plan members.

Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute was 19.5 percent for police officers and 24 percent for firefighters. The City's pension contributions to OP&F for police and firefighters were \$60,498 and \$23,926 for the year ended December 31, 2009, \$59,193 and \$23,455 for the year ended December 31, 2008, and \$55,001 and \$22,585 for the year ended December 31, 2007. 72.48 percent has been contributed for police and 74.17 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 2007.

Social Security System

As of December 31, 2009, twenty-eight part-time firefighters and seventeen 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.

Note 10 – Postemployment Benefits

Ohio Public Employees Retirement System

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio

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

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 administrated 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 OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$35,085, \$48,548, and \$39,280 respectively; 84.53 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

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

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$32,028 and \$9,362 for the year ended December 31, 2009, \$31,337 and \$9,178 for the year ended December 31, 2008, and \$29,118 and \$8,838 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 72.48 percent has been contributed for police and 74.17 percent has been contributed for firefighters for 2009.

Note 11 – Other Employee Benefits

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service. Current policy credits vacation leave on the hiring date anniversary of each year for all full time employees. Unused vacation 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.

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

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

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

Insurance

The City provides health and life insurance to its employees through Aetna. 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 – Interfund Transfers

	Transfer To	
Transfer From	General Obligation Bond Retirement	Compensated Absences
General	\$0	\$5,194
Street	0	423
Fire Department Special Levy	0	915
EMS Special Levy	0	915
Capital Improvement	14,834	0
Water	0	553
Total All Funds	\$14,834	\$8,000

During 2009, the capital improvement capital projects fund transferred \$14,834 to the general obligation bond retirement debt service fund to provide additional resources for debt service, and the general fund and various other funds transferred \$8,000 to the compensated absences fund to replenish the fund balance.

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

Note 13 - 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 12/31/2008	Issued	Retired	Balance 12/31/2009	Amounts Due In One Year
Governmental Activities					
Refunding Bond - Series A					
General Obligation Bond	\$585,000	\$0	(\$190,000)	\$395,000	\$195,000
Capital Appreciation Bond	130,000	0	0	130,000	0
Accretion on Capital Appreciation Bond	195,914	45,229	0	241,143	0
Refunding Bond - Series B					
General Obligation Bond	88,661	0	(11,250)	77,411	16,667
Capital Asset Acquisition Bonds					
General Obligation Bond	450,000	0	(80,000)	370,000	85,000
Premium on Bonds	12,490	0	(2,498)	9,992	0
Capital Leases	227,651	0	(65,214)	162,437	20,442
Compensated Absences	146,260	73,130	(62,662)	156,728	42,278
Total Governmental Activities	\$1,835,976	\$118,359	(\$411,624)	\$1,542,711	\$359,387
Business-Type Activity					
Refunding Bond - Series B					
General Obligation Bond	\$521,339	\$0	(\$78,750)	\$442,589	\$83,333

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 2009 were \$45,229 which represents the annual accretion of discounted interest. The final amount of the Capital Appreciation Bond will be \$620,000.

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

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

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 were made through April 2009. Payments were 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, 2009, the City's overall legal debt margin was \$11,258,359 and the unvoted legal debt margin was \$5,519,112. Principal and interest requirements to retire the outstanding debt at December 31, 2009, 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
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	\$395,000	\$23,605	\$130,000	\$490,000	\$77,411	\$9,388	\$370,000	\$46,962

Business-Type Activities		
General Obligation Refunding Bond - Series B		
	Principal	Interest
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	\$442,589	\$56,338

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

Note 14 – Contingencies

Grants

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

Litigation

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

Note 15 - 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 2009, the City contracted with Select Insurance Group for its property and liability insurance. Wichert Insurance Services, Inc. serves as the City's agent.

The City carries commercial property insurance in the amount of \$8,655,812 with a \$500 deductible. The City carries insurance for general liability, auto liability and law enforcement liability with limits of \$5,000,000 per occurrence. The City also carries \$1,000,000 of public officials' liability coverage. Public officials have a deductible of \$10,000. The law enforcement deductible is \$10,000, the equipment and crime deductibles are \$500, and the inland marine deduction is \$500. Auto liability has a \$1,000,000 combined single limit of liability with a \$500 collision deductible. There has not been a significant reduction in coverage from the prior year. Claims have not exceeded this commercial coverage in any of the past three years.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

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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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 16, 2010.

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

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

Mary Taylor, CPA
Auditor of State

August 16, 2010



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
SEPTEMBER 9, 2010**