

City of Olmsted Falls, Ohio

Basic Financial Statements

December 31, 2006



Mary Taylor, CPA
Auditor of State

Members of City Council
City of Olmsted Falls
26100 Bagley Road
Olmsted Falls, Ohio 44138

We have reviewed the *Independent Auditors' Report* of the City of Olmsted Falls, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Olmsted Falls is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 4, 2010

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City of Olmsted Falls

For The Year Ended December 31, 2006

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City of Olmsted Falls

For The Year Ended December 31, 2006

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**BASIC
FINANCIAL STATEMENTS**

Independent Auditors' Report

Members of the City Council
Olmsted Falls, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Olmsted Falls, Ohio (the "City") as of and for the year ended December 31, 2006, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2006, the City implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council
Olmsted Falls, Ohio

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cini & Parichi, Inc.

Cleveland, Ohio
March 9, 2010

CITY OF OLMSTED FALLS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 (UNAUDITED)

The management's discussion and analysis of the City of Olmsted Falls (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. 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 2006 are as follows:

- The total net assets of the City increased \$1,634,374 or 14.48% compared to 2005.
- General revenues accounted for \$4,760,128 or 66.47% of total governmental activities revenue. Program specific revenues accounted for \$2,401,493 or 33.53% of total governmental activities revenue.
- The City had \$5,751,870 in expenses related to governmental activities; \$2,401,493 of these expenses were offset by program specific charges for services, grants or contributions. A portion of the remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$4,760,128.
- The City's major governmental funds are the general fund, general bond retirement fund, sewer debt project 2 fund, capital improvement fund and railroad grade separation fund. The general fund had revenues and other financing sources of \$4,333,642 in 2006. The general fund had expenditures and transfers out of \$4,213,647. The net increase in fund balance for the general fund was \$119,995 or 13.98%.
- The general bond retirement fund had revenues and note proceeds of \$1,951,990 in 2006. The expenditures of the general bond retirement fund, totaled \$1,967,520 in 2006. The net decrease in fund balance for the general bond retirement fund was \$15,530 or 3.68%.
- The sewer debt project 2 fund had revenues and other financing sources of \$174,329 in 2006. The expenditures of the sewer debt project 2 fund, totaled \$172,635 in 2006. The net increase in fund balance for the sewer debt project 2 fund was \$1,694 or 0.52%.
- The capital improvement fund had revenues, transfers in and note proceeds of \$2,515,923 in 2006. The expenditures and other financing uses of the capital improvement fund, totaled \$462,578 in 2006. The net increase in fund balance for the capital improvement fund was \$2,053,345 or 122.92%.
- The railroad grade separation fund had revenues of \$1,180,362 in 2006. The expenditures of the railroad grade separation fund, totaled \$1,182,211 in 2006. The net decrease in fund balance for the railroad grade separation fund was \$1,849 or 100%.
- In the general fund, the actual revenues and other financing sources came in \$46,065 lower than they were in the final budget and actual expenditures and other financing uses were \$207,897 less than the amount in the final budget. Budgeted expenditures and other financing uses increased \$510,000 from the original to the final budget.

CITY OF OLMSTED FALLS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 (UNAUDITED)

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and statement of activities, the governmental activities include the City's programs and services, including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental funds, which includes the general fund, begins on page 10.

CITY OF OLMSTED FALLS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 (UNAUDITED)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, general bond retirement fund, sewer debt project 2 fund, capital improvement fund and railroad grade separation fund. Information for major funds is presented separately in governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 15 - 21 of this report.

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 statement 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. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statements can be found on page 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-49 of this report.

CITY OF OLMSTED FALLS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2006 compared to 2005.

	Governmental Activities 2006	Governmental Activities 2005
<u>Net Assets</u>		
<u>Assets</u>		
Current and other assets	\$ 12,381,277	\$ 12,136,071
Capital assets, net	<u>10,899,616</u>	<u>9,347,868</u>
Total assets	<u>23,280,893</u>	<u>21,483,939</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	2,605,344	6,093,953
Other liabilities	<u>7,751,327</u>	<u>4,100,138</u>
Total liabilities	<u>10,356,671</u>	<u>10,194,091</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,315,469	1,335,827
Restricted	7,672,816	1,330,317
Unrestricted	<u>1,935,937</u>	<u>8,623,704</u>
Total net assets	<u>\$ 12,924,222</u>	<u>\$ 11,289,848</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2006, the City's assets exceeded liabilities by \$12,924,222.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 46.82% of total assets. Capital assets include land, construction in progress, buildings, improvements other than building, machinery, equipment & vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2006, were \$3,315,469 in the governmental activities. These capital assets are used to provide services to citizens and are not available for future spending.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$7,672,816, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,935,937 may be used to meet the government's ongoing obligations to citizens and creditors.

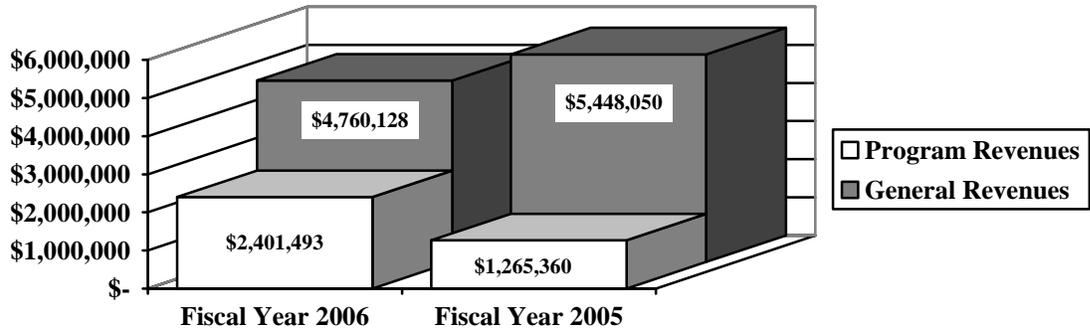
CITY OF OLMSTED FALLS, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

The table below shows the changes in net assets for fiscal years 2006 and 2005.

	Change in Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
	<u> </u>	<u> </u>
Revenues		
Program revenues:		
Charges for services	\$ 915,028	\$ 698,009
Operating grants and contributions	384,901	89,175
Capital grants and contributions	<u>1,101,564</u>	<u>478,176</u>
Total program revenues	<u>2,401,493</u>	<u>1,265,360</u>
General revenues:		
Property and other local taxes	1,556,364	1,623,207
Income taxes	2,353,631	2,592,880
Unrestricted grants and entitlements	620,747	935,827
Investment earnings	193,054	138,663
Miscellaneous	<u>36,332</u>	<u>157,473</u>
Total general revenues	<u>4,760,128</u>	<u>5,448,050</u>
Total revenues	<u>7,161,621</u>	<u>6,713,410</u>

Governmental Activities - General and Program Revenues



CITY OF OLMSTED FALLS, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)**

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Expenses		
General government	\$ 1,508,508	\$ 1,343,527
Security of persons and property	2,665,967	2,545,814
Physical environment	182,508	61,681
Transportation	707,650	1,274,486
Economic environment	237,737	224,930
Public health and welfare	56,655	78,068
Culture and recreation	57,662	78,077
Interest and fiscal charges	<u>335,183</u>	<u>330,817</u>
 Total expenses	 <u>5,751,870</u>	 <u>5,937,400</u>
 Special item	 224,623	 -
 Change in net assets	 <u>1,634,374</u>	 <u>776,010</u>
 Net assets at beginning of year	 <u>11,289,848</u>	 <u>10,513,838</u>
 Net assets at end of year	 <u>\$ 12,924,222</u>	 <u>\$ 11,289,848</u>

Governmental Activities

Governmental activities net assets increased \$1,634,374 in 2006. This increase is a result of the spending level being set below the sources of income revenue.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$2,665,967 of the total expenses of the City. These expenses were partially funded by \$191,697 in direct charges to users of the services. Transportation expenses totaled \$707,650. Transportation expenses were partially funded by \$15,889 in direct charges to users of the services, \$332,584 in operating grants and contributions and \$1,101,564 in capital grants and contributions.

The state and federal government contributed to the City a total of \$384,901 in operating grants and contributions and \$1,101,564 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$332,584 subsidized transportation programs, and \$47,985 subsidized security of persons and property programs.

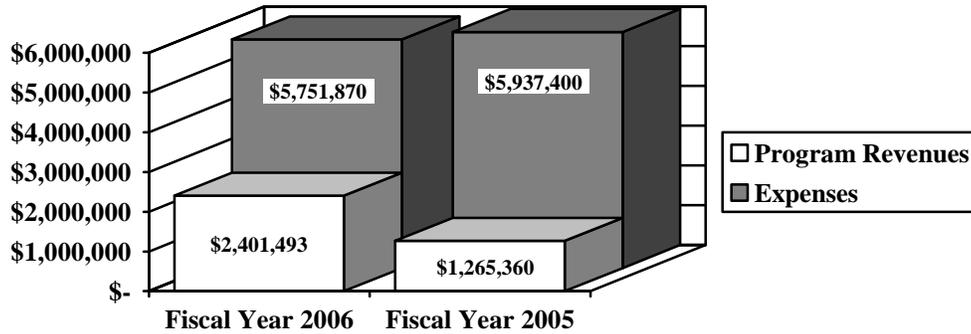
General revenues totaled \$4,760,128, and amounted to 66.47% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,909,995. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$620,747.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

CITY OF OLMSTED FALLS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)

Governmental Activities - Program Revenues vs. Total Expenses



Governmental Activities

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 1,508,508	\$ 1,260,282	\$ 1,343,527	\$ 1,338,926
Security of persons and property	2,665,967	2,426,285	2,545,814	1,848,075
Physical environment	182,508	(26,450)	61,681	61,681
Transportation	707,650	(742,387)	1,274,486	796,310
Economic environment	237,737	237,737	224,930	140,086
Public health and welfare	56,655	(197,935)	78,068	78,068
Culture and recreation	57,662	57,662	78,077	78,077
Interest and fiscal charges	335,183	335,183	330,817	330,817
Total	<u>\$ 5,751,870</u>	<u>\$ 3,350,377</u>	<u>\$ 5,937,400</u>	<u>\$ 4,672,040</u>

The dependence upon general revenues for governmental activities is apparent, with 58.25% of expenses supported through taxes and other general revenues.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

CITY OF OLMSTED FALLS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)

The City has restated their beginning fund balances as shown in Note 3.B. of the basic financial statements. The City's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$5,061,426 which is \$2,623,388 higher last year's total of \$2,438,038. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2006 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) <u>12/31/06</u>	Restated Fund Balances (Deficit) <u>12/31/05</u>	Increase (Decrease)
Major funds:			
General	\$ 978,397	\$ 858,402	\$ 119,995
General bond retirement	406,243	421,773	(15,530)
Sewer debt project 2	324,775	323,081	1,694
Capital improvement	382,894	(1,670,451)	2,053,345
Railroad grade separation	(1,849)	-	(1,849)
Other nonmajor governmental funds	<u>2,970,966</u>	<u>2,505,233</u>	<u>465,733</u>
Total	<u>\$ 5,061,426</u>	<u>\$ 2,438,038</u>	<u>\$ 2,623,388</u>

General Fund

The City's general fund balance increased \$119,995. The table that follows assists in illustrating the revenues of the general fund.

	<u>2006</u> Amount	<u>2005</u> Amount	Percentage <u>Change</u>
<u>Revenues</u>			
Municipal income taxes	\$ 2,265,794	\$ 2,287,718	(0.96) %
Property and other taxes	516,522	598,091	(13.64) %
Licenses and permits	270,060	84,844	218.30 %
Intergovernmental	487,198	442,494	10.10 %
Charges for services	164,173	155,619	5.50 %
Fines and forfeitures	144,573	173,277	(16.57) %
Investment income	193,054	138,663	39.23 %
Other	<u>57,503</u>	<u>39,957</u>	43.91 %
Total	<u>\$ 4,098,877</u>	<u>\$ 3,920,663</u>	4.55 %

CITY OF OLMSTED FALLS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,469,989	\$ 1,417,462	3.71 %
Security of persons and property	2,021,173	1,916,175	5.48 %
Physical environment	55,679	52,548	5.96 %
Transportation	321,835	413,440	(22.16) %
Economic development	224,796	219,282	2.51 %
Public health and welfare	13,337	26,673	(50.00) %
Cultural and recreation	1,458	3,042	(52.07) %
Capital outlay	16,297	1,365	1,093.92 %
Debt service	<u>1,939</u>	<u>63,659</u>	(96.95) %
Total	<u>\$ 4,126,503</u>	<u>\$ 4,113,646</u>	0.31 %

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, the actual revenues and other financing sources came in \$46,065 lower than they were in the final budget and actual expenditures and other financing uses were \$207,897 less than the amount in the final budget. Budgeted expenditures and other financing uses increased \$510,000 from the original to the final budget.

General Bond Retirement Fund

The general bond retirement fund had revenues and note proceeds of \$1,951,990 in 2006. The expenditures of the general bond retirement fund, totaled \$1,967,520 in 2006. The net decrease in fund balance for the general bond retirement fund was \$15,530 or 3.68%.

Sewer Debt Project 2Fund

The sewer debt project 2 fund had revenues and other financing sources of \$174,329 in 2006. The expenditures of the sewer debt project 2 fund, totaled \$172,635 in 2006. The net increase in fund balance for the sewer debt project 2 fund was \$1,694 or 0.52%.

Capital Improvement Fund

The capital improvement fund had revenues, transfers in and note proceeds of \$2,515,923 in 2006. The expenditures and other financing uses of the capital improvement fund, totaled \$462,578 in 2006. The net increase in fund balance for the capital improvement fund was \$2,053,345 or 122.92%.

Railroad Grade Separation Fund

The railroad grade separation fund had revenues of \$1,180,362 in 2006. The expenditures of the railroad grade separation fund, totaled \$1,182,211 in 2006. The net decrease in fund balance for the railroad grade separation fund was \$1,849 or 100%.

CITY OF OLMSTED FALLS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the City had \$10,899,616 (net of accumulated depreciation) invested in land, construction in progress, buildings, improvements other than buildings, machinery, equipment, vehicles and infrastructure. The following table shows fiscal 2006 balances compared to 2005:

**Capital Assets at December 31
(Net of Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 657,805	\$ 657,815
Construction in progress	2,359,526	2,884,648
Buildings	5,301,651	3,358,494
Improvements other than buildings	43,049	44,331
Machinery, equipment and vehicles	1,458,394	1,295,043
Infrastructure	1,079,191	1,107,537
Totals	<u>\$ 10,899,616</u>	<u>\$ 9,347,868</u>

The City's largest capital asset category is buildings, which consists of 48.64% of the City's total net capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2006 and 2005:

	Governmental Activities	
	2006	2005
W&SRC loan	\$ 396,075	\$ 396,075
OWDA loans	3,193,072	3,419,037
Notes payable	3,860,000	1,900,000
Capital lease obligation	-	1,929
Total long-term obligations	<u>\$7,449,147</u>	<u>\$ 5,717,041</u>

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives, spends, or invests. If you have questions about this report or need additional financial information contact Ms. Kimberly Sperling, Director of Finance, City of Olmsted Falls, 26100 Bagley Road, Olmsted Falls, Ohio 44138-1897.

CITY OF OLMSTED FALLS, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,960,468
Receivables (net of allowances for uncollectibles):	
Income taxes	966,402
Property and other taxes	2,157,631
Accounts	121,164
Special assessments	3,512,580
Intergovernmental	551,672
Prepayments	100,815
Materials and supplies inventory	10,545
Capital assets:	
Land	657,805
Construction in progress	2,359,526
Depreciable capital assets, net	7,882,285
Total capital assets, net	10,899,616
 Total assets	 23,280,893
 Liabilities:	
Accounts payable	277,300
Accrued wages and benefits	53,212
Accrued interest payable	32,460
Due to other governments	180,368
Deferred revenue	1,927,004
Notes payable	135,000
Long-term liabilities:	
Due within one year	289,717
Due in more than one year	7,461,610
 Total liabilities	 10,356,671
 Net assets:	
Invested in capital assets, net of related debt	3,315,469
Restricted for:	
Capital projects	564,669
Debt service	4,426,535
Security of persons and property	492,417
Transportation projects	840,885
Sewer operations	733,471
Culture and recreation	502,827
Physical environment	37,642
Public health and welfare	16,214
Other purposes	58,156
Unrestricted	1,935,937
 Total net assets	 \$ 12,924,222

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF OLMSTED FALLS, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Revenues				Net (Expense) Revenue and Charges in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 1,508,508	\$ 243,894	\$ 4,332	\$ -	\$ (1,260,282)
Security of persons and property	2,665,967	191,697	47,985	-	(2,426,285)
Physical environment.	182,508	208,958	-	-	26,450
Transportation	707,650	15,889	332,584	1,101,564	742,387
Enconomic environment	237,737	-	-	-	(237,737)
Public health and welfare.	56,655	254,590	-	-	197,935
Culture and recreation	57,662	-	-	-	(57,662)
Interest and fiscal charges	335,183	-	-	-	(335,183)
	<u>\$ 5,751,870</u>	<u>\$ 915,028</u>	<u>\$ 384,901</u>	<u>\$ 1,101,564</u>	<u>(3,350,377)</u>

General Revenues:

Property and other taxes levied for:	
General purposes	528,104
Special revenue	801,098
Debt service	227,162
Income taxes levied for:	
General purposes	2,082,384
Capital projects	271,247
Grants and entitlements not restricted to specific programs	620,747
Investment earnings	193,054
Miscellaneous	36,332
	<u>4,760,128</u>
Special item - gain on sale of assets	224,623
Change in net assets.	1,634,374
Net assets at beginning of year	<u>11,289,848</u>
Net assets at end of year	<u>\$ 12,924,222</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF OLMSTED FALLS, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>General Bond Retirement</u>	<u>Sewer Debt Project 2</u>	<u>Capital Improvement</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 622,613	\$ 481,243	\$ 324,775	\$ 374,772
Receivables (net of allowance for uncollectibles):				
Income taxes.	850,434	-	-	96,640
Property and other taxes.	633,803	282,659	-	-
Accounts.	83,148	-	-	-
Special assessments	-	-	1,605,612	-
Intergovernmental	178,333	15,605	-	26,314
Interfund loans	93,644	-	-	-
Prepayments	95,271	-	-	-
Due from other funds	2,314	-	-	-
Materials and supplies inventory.	1,055	-	-	-
Total assets	<u>\$ 2,560,615</u>	<u>\$ 779,507</u>	<u>\$ 1,930,387</u>	<u>\$ 497,726</u>
Liabilities:				
Accounts payable	\$ 85,253	\$ -	\$ -	\$ -
Accrued wages and benefits.	48,159	-	-	-
Interfund loan payable.	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments.	177,779	-	-	-
Deferred revenue	1,271,027	298,264	1,605,612	54,832
Notes payable	-	75,000	-	60,000
Total liabilities	<u>1,582,218</u>	<u>373,264</u>	<u>1,605,612</u>	<u>114,832</u>
Fund Balances:				
Reserved for encumbrances	156,041	-	-	266,653
Reserved for prepayments	95,271	-	-	-
Reserved for materials and supplies inventory.	1,055	-	-	-
Unreserved, undesignated (deficit) reported in:				
General fund.	726,030	-	-	-
Special revenue funds	-	-	-	-
Debt service fund	-	406,243	324,775	-
Capital projects funds	-	-	-	116,241
Total fund balances (deficit).	<u>978,397</u>	<u>406,243</u>	<u>324,775</u>	<u>382,894</u>
Total liabilities and fund balances.	<u>\$ 2,560,615</u>	<u>\$ 779,507</u>	<u>\$ 1,930,387</u>	<u>\$ 497,726</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Railroad Grade Separation	Other Governmental Funds	Total Governmental Funds
\$ 500	\$ 3,156,565	\$ 4,960,468
-	19,328	966,402
-	1,241,169	2,157,631
-	38,016	121,164
-	1,906,968	3,512,580
100,912	230,508	551,672
-	-	93,644
-	5,544	100,815
-	-	2,314
-	9,490	10,545
<u>\$ 101,412</u>	<u>\$ 6,607,588</u>	<u>\$ 12,477,235</u>
\$ 2,349	\$ 189,698	\$ 277,300
-	5,053	53,212
-	93,644	93,644
-	2,314	2,314
-	2,589	180,368
100,912	3,343,324	6,673,971
-	-	135,000
<u>103,261</u>	<u>3,636,622</u>	<u>7,415,809</u>
-	338,307	761,001
-	5,544	100,815
-	9,490	10,545
-	-	726,030
-	2,148,674	2,148,674
-	161,369	892,387
(1,849)	307,582	421,974
<u>(1,849)</u>	<u>2,970,966</u>	<u>5,061,426</u>
<u>\$ 101,412</u>	<u>\$ 6,607,588</u>	<u>\$ 12,477,235</u>

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CITY OF OLMSTED FALLS, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Total governmental fund balances		\$ 5,061,426
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,899,616
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property and other taxes receivable	\$ 230,627	
Income taxes receivable	534,583	
Special assessments receivable	3,512,580	
Intergovernmental receivable	410,989	
Accounts receivable	58,188	
Total		4,746,967
In the statement of activities interest is accrued on notes payable, whereas in governmental funds, interest expenditures are reported when due.		(32,460)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
OWDA loans payable	3,193,072	
Loans payable	396,075	
Notes payable	3,860,000	
Compensated absences payable	302,180	
Total		(7,751,327)
Net assets of governmental activities		\$ 12,924,222

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF OLMSTED FALLS, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>General Bond Retirement</u>	<u>Sewer Debt Project 2</u>	<u>Capital Improvement</u>
Revenues:				
Municipal income taxes	\$ 2,265,794	\$ -	\$ -	\$ 245,320
Property and other taxes	516,522	221,984	-	-
Licenses and permits	270,060	-	-	-
Intergovernmental	487,198	30,006	-	26,314
Charges for services	164,173	-	-	-
Fines and forfeitures	144,573	-	-	-
Special assessments	-	-	135,964	-
Investment income	193,054	-	-	9,289
Rental income	17,280	-	-	-
Other	40,223	-	-	-
Total revenues	<u>4,098,877</u>	<u>251,990</u>	<u>135,964</u>	<u>280,923</u>
Expenditures:				
Current:				
General government	1,469,989	-	-	-
Security of persons and property	2,021,173	-	-	-
Physical environment	55,679	-	-	-
Transportation	321,835	-	-	-
Economic development	224,796	-	-	-
Public health and welfare	13,337	-	-	-
Cultural and recreation	1,458	-	-	-
Capital outlay	16,297	-	-	328,675
Debt service:				
Principal retirement	1,929	1,900,000	99,739	-
Interest and fiscal charges	10	67,520	72,896	81,368
Total expenditures	<u>4,126,503</u>	<u>1,967,520</u>	<u>172,635</u>	<u>410,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,626)</u>	<u>(1,715,530)</u>	<u>(36,671)</u>	<u>(129,120)</u>
Other financing sources (uses):				
Sale of capital assets	234,765	-	-	-
Proceeds of notes	-	1,700,000	-	2,160,000
Transfers in	-	-	38,365	75,000
Transfers out	(87,144)	-	-	(52,535)
Total other financing sources (uses)	<u>147,621</u>	<u>1,700,000</u>	<u>38,365</u>	<u>2,182,465</u>
Net change in fund balances	119,995	(15,530)	1,694	2,053,345
Fund balances (deficit)				
at beginning of year (restated)	858,402	421,773	323,081	(1,670,451)
Fund balances (deficit) at end of year	<u>\$ 978,397</u>	<u>\$ 406,243</u>	<u>\$ 324,775</u>	<u>\$ 382,894</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Railroad Grade Separation	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 49,064	\$ 2,560,178
-	778,467	1,516,973
-	-	270,060
1,180,362	541,354	2,265,234
-	239,670	403,843
-	625	145,198
-	353,126	489,090
-	2,704	205,047
-	2,785	20,065
-	3,544	43,767
<u>1,180,362</u>	<u>1,971,339</u>	<u>7,919,455</u>
-	3,360	1,473,349
-	638,410	2,659,583
2,349	122,288	180,316
-	287,794	609,629
-	6,560	231,356
-	43,318	56,655
-	51,935	53,393
1,179,862	150,960	1,675,794
-	126,226	2,127,894
-	101,069	322,863
<u>1,182,211</u>	<u>1,531,920</u>	<u>9,390,832</u>
<u>(1,849)</u>	<u>439,419</u>	<u>(1,471,377)</u>
-	-	234,765
-	-	3,860,000
-	26,314	139,679
-	-	(139,679)
-	26,314	4,094,765
(1,849)	465,733	2,623,388
-	2,505,233	2,438,038
<u>\$ (1,849)</u>	<u>\$ 2,970,966</u>	<u>\$ 5,061,426</u>

CITY OF OLMSTED 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, 2006

Net change in fund balances - total governmental funds \$ 2,623,388

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital asset additions	\$	1,801,478	
Current year depreciation		<u>(221,303)</u>	
Total			1,580,175

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (28,427)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property and other taxes		39,391	
Income taxes		(206,547)	
Special assessments		(489,090)	
Intergovernmental revenues		(165,490)	
Charges for services		<u>58,188</u>	
Total			(763,548)

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,127,894

Proceeds of notes are recognized as revenue in the governmental funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities in the statement of activities. (3,860,000)

In the statement of activities, interest is accrued on notes payable, whereas in governmental funds, an interest expenditure is reported when due. (12,320)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (32,788)

Change in net assets of governmental activities \$ 1,634,374

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF OLMSTED FALLS, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 1,981,292	\$ 2,366,410	\$ 2,211,863	\$ (154,547)
Property and other taxes	462,678	552,614	516,522	(36,092)
Licenses and permits	229,454	274,056	256,156	(17,900)
Intergovernmental	425,128	507,766	474,602	(33,164)
Charges for services	148,386	177,229	165,654	(11,575)
Fines and forfeitures	129,111	154,207	144,136	(10,071)
Investment income	172,929	206,542	193,054	(13,488)
Rental income	15,479	18,486	17,280	(1,206)
Other	35,743	42,690	39,903	(2,787)
Total revenues.	3,600,200	4,300,000	4,019,170	(280,830)
Expenditures:				
Current:				
General government	1,397,444	1,540,880	1,468,526	72,354
Security of persons and property	1,985,477	2,189,269	2,086,469	102,800
Physical environment	51,942	57,273	54,584	2,689
Transportation.	320,615	353,523	336,923	16,600
Economic development.	226,602	249,861	238,128	11,733
Public health and welfare	13,421	14,799	14,104	695
Cultural and recreation	1,467	1,618	1,542	76
Capital outlay.	16,400	18,083	17,234	849
Debt service:				
Principal retirement	1,941	2,141	2,040	101
Interest and fiscal charges	10	10	10	-
Total expenditures	4,015,319	4,427,457	4,219,560	207,897
Excess (deficiency) of revenues over (under) expenditures	(415,119)	(127,457)	(200,390)	(72,933)
Other financing sources (uses):				
Sale of capital assets	-	-	234,765	234,765
Transfers out	(82,926)	(87,144)	(87,144)	-
Advances out	-	(93,644)	(93,644)	-
Total other financing sources (uses)	(82,926)	(180,788)	53,977	234,765
Net change in fund balance	(498,045)	(308,245)	(146,413)	161,832
Fund balance at beginning of year	43,703	43,703	43,703	-
Prior year encumbrances appropriated	498,245	498,245	498,245	-
Fund balance (deficit) at end of year	\$ 43,903	\$ 233,703	\$ 395,535	\$ 161,832

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF OLMSTED FALLS, OHIO

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 97,010
Total assets	<u>\$ 97,010</u>
Liabilities:	
Deposits held and due to others	\$ 97,010
Total liabilities	<u>\$ 97,010</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF CITY AND REPORTING ENTITY

The City of Olmsted Falls, Cuyahoga County, (the "City") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City was incorporated in 1851 and became a city in 1972. Under the City Charter adopted in July 1972, the City has an elected mayor-council form of government. Council is composed of seven members, three at large and one for each of the City's four wards, all elected for terms of two years. The Director of Law, Director of Finance, Safety Director, Service Director and part-time Community Development Director are appointed by the Mayor and confirmed by Council.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading.

The City as a primary government consists of all funds and the departments, which are not legally separate from the City. They include a police force, a fire fighting force, a mayor's court, a street maintenance and sanitation force, planning and zoning departments, a park and recreation system and a staff to provide essential support to these service providers. The operation of each of these activities is directly controlled by the City Council through budgetary process and is therefore included as part of the reporting entity. Included in the determination of the City's reporting entity is the Mayor's Court of Olmsted Falls (Court). The territorial jurisdiction of the Court is in the boundaries of the City and has been included in the City's financial statements as an agency fund. The mayor is an elected official who has fiduciary responsibility for the collection and distribution of the Court fees and fines.

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 the 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 authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

The City is associated with five jointly governed organizations, the Northeast Ohio Public Energy Council, Chestnut Grove Union Cemetery, Joint Economic Development District, Southwest Council of Governments, and the Southwest General Health Center. A jointly governed organization is managed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. These organizations are presented in Note 12.

The Olmsted Falls City School District and the Berea City School Districts service the boundaries of the City. Both are distinct political subdivisions of the State of Ohio and each is operated under an elected school board possessing its own budgetary and taxing authority. Accordingly, the school districts are not considered part of the City and its operations are not included within the accompanying financial statements.

The Cuyahoga County Public Library (the Library), located within the boundaries of the City, is a distinct political subdivision of the State of Ohio operated under the supervision of the Cuyahoga County Public Library District. The Library is not a component unit of the reporting entity and is not reflected within the accompanying financial statements.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF CITY AND REPORTING ENTITY - (Continued)

Each year, the residents of Olmsted Falls are assessed, through a tax levy, for a portion of the general operating expenses of the Chestnut Grove Union Cemeteries. For 2006, the amount paid the Chestnut Grove Union Cemetery amounted to \$36,313. The residents are also assessed through a tax levy, for a portion of the operating expense of Southwest General Hospital. The amount paid in 2006 to the Southwest General Hospital amounted to \$43,318. Both of these organizations exercise their own budgetary and financial management authority. Therefore they are not considered part of the City and their operations are not reflected in the City's financial statements.

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 principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

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

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

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

Fund Financial Statement - 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 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.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The City does not have proprietary funds.

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 financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The 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 balances. 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 Charter of the City of Olmsted Falls and/or the general laws of Ohio.

General Bond Retirement - This fund is used to account for debt service payments.

Sewer Debt Service Project 2 Fund - This fund is used to account for special assessments and transfers that are utilized for the repayment of OWDA loans for a sewer project.

Capital Improvement Fund - This fund is used to account for the financial resources to be used for acquisition or construction of major capital facilities.

Railroad Grade Separation - This fund is used to account for the financial resources to be used for acquisition or construction of specific projects.

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - 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.

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. Available period for the City is sixty days after year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 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 nonexchange 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), fines and forfeitures, licenses and permits, interest, grants, and fees.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Special assessments not received within the available period and 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.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget; the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolutions of the City Council. The Director of Finance is authorized to transfer appropriations between line items within a function or object of any department.

Tax Budget - At the last Council meeting in May, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1st to December 31st of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimates revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31st, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations ordinance. On or about January 1st, the certificate of estimated resources is amended to include unencumbered fund balances at December 31st of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that the estimate needs to be either increased or decreased. The amounts reported as budgeted amounts on the budgetary statements reflect the amounts on the Certificate of Estimated Resources in effect when original and final appropriations were passed by the Council.

CITY OF OLMSTED FALLS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1st to March 31st. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1st to December 31st. The appropriation ordinance fixes spending authority at the fund level for all funds. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations may not exceed current estimated resources, as certified. During the year, several supplemental appropriation measures were passed. The amounts reported as the budgeted amounts represent the original and final appropriation amounts passed by Council during the year.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to succeeding year and is not reappropriated.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During 2006, the City's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

The provisions of the Ohio Revised Code restrict investment procedures. Interest revenue credited to the general fund during 2006 amounted to \$193,054, which includes \$167,842 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures in the governmental funds when used. Inventory consists of expendable supplies held for consumption.

I. Capital Assets

General capital 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.

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 \$5,000. The City's infrastructure consists of streets, sanitary sewers, bridges and traffic signals. Traffic signals acquired prior to January 1, 2002 are not reported. 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. As of December 31, 2004, the City has implemented a bridge infrastructure accounting for all bridges greater than a ten foot span.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 - 110 years
Improvements other than buildings	50 years
Machinery, equipment and vehicles	10 - 75 years
Infrastructure	50 - 100 years

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Loans resulting from negative cash balances are reported as "due to/from other funds." Interfund balance amounts are eliminated in the statement of net assets.

K. Compensated Absences

Holiday, personal, vacations and others are a use it or lose it policy. Individual exceptions are allowed to carry forward certain unused amount into the next year. Generally, such requests are infrequent and will not be considered at this time.

Sick leave benefits are accrued as a liability using the vesting method. The financial reporting policy for recognition of compensated absences of sick time is based upon all employees considered vested after one year of employment and eligible for termination cash out. Or, it is assumed that all hired employees will terminate employment from the City and be eligible for cash out of unused sick time based upon the allocation ratio in effect at the fiscal year-end.

CITY OF OLMSTED FALLS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions 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 long-term loans are recognized as a liability on the fund financial statements when due.

M. Fund Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, prepaids and materials and supplies inventories.

N. Net Assets

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

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

O. Interfund Activity

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

P. 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. During 2006, the City sold the administration building with a book value of \$4,428; this resulted in a gain on sale of capital assets of \$224,623. This amount will be reported as a special item on the statement of activities.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the City has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the City as previously reported at December 31, 2005.

B. Restatement of Fund Balances

The fund balances have been restated to properly account for pension obligations. Pension obligations are no longer considered long-term liabilities and have been moved to a fund liability. The prior period adjustments had the following effect on the City's governmental fund balances as previously reported:

	General	General Bond Retirement	Sewer Debt Project 2	Capital Improvement	Railroad Grade Separation	Nonmajor	Total
Fund balance (deficit)							
December 31, 2005	\$ 965,922	\$ 421,773	\$ 323,081	\$ (1,670,451)	\$ -	\$ 2,505,233	\$ 2,545,558
Pension obligations payable	<u>(107,520)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,520)</u>
Restated fund balance (deficit),							
December 31, 2005	<u>\$ 858,402</u>	<u>\$ 421,773</u>	<u>\$ 323,081</u>	<u>\$ (1,670,451)</u>	<u>\$ -</u>	<u>\$ 2,505,233</u>	<u>\$ 2,438,038</u>

The above adjustments had no effect on the beginning net assets.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Cash Balances

The City had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, these amounts have been reported as fund liabilities in the respective funds.

	<u>Deficit</u>
<u>Nonmajor governmental fund</u>	
Main Street WWTP	\$ 2,314

D. Deficit Fund Balances

The following fund had a deficit fund balance as of December 31, 2006:

	<u>Deficit</u>
<u>Major funds</u>	
Railroad grade separation	\$ 1,849
<u>Nonmajor governmental funds</u>	
Main Street WWTP	2,314
FEMA	5,059

All of the above funds, except for the Main Street WWTP fund (a nonmajor governmental fund), complied with Ohio state law, which does not permit a cash basis deficit at year-end.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the City treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are monies identified as not required for use within the current five year period if designation of depositories.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all City deposits was \$1,751,673 and the bank balance of all City deposits was \$1,976,259. Of the bank balance, \$1,876,259 was exposed to custodial risk as discussed below and \$100,000 was covered by the Federal Deposit Insurance Corporation. Although the securities were held by the pledging institution's trust department and all statutory requirements for the investment of the money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial credit risk 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. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository whose market value at all times shall be at least one hundred five percent of all deposits being secured.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

Investments are reported at fair value. As of December 31, 2006, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 3,305,805	\$ 3,305,805
	<u>\$ 3,305,805</u>	<u>\$ 3,305,805</u>

Interest Rate Risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy addresses interest rate risk requiring the City's investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature in five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than two years.

Credit Risk - The City's investment policy addresses credit risk by requiring that all investments are authorized by the Ohio Revised Code and that portfolios be diversified both by types of investments and issuer. All investments of the City are registered and carry an AAA rating by Standards & Poor's.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,305,805	100.00%
	<u>\$ 3,305,805</u>	<u>100.00%</u>

Reconciliation of Cash and Investment to the Statement of Net Assets - The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,751,673
Investments	<u>3,305,805</u>
Total	<u>\$ 5,057,478</u>

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Cash and investments per Statement of Net Assets

Governmental activities	\$ 4,960,468
Fiduciary funds	<u>97,010</u>
Total	<u>\$ 5,057,478</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported in the fund financial statements:

	<u>Transfers to:</u>			
<u>Transfer from:</u>	<u>Sewer Debt Project 2</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
General fund	\$ -	\$ 75,000	\$ 12,144	\$ 87,144
Capital Improvement fund	<u>38,365</u>	<u>-</u>	<u>14,170</u>	<u>52,535</u>
Total	<u>\$ 38,365</u>	<u>\$ 75,000</u>	<u>\$ 26,314</u>	<u>\$ 139,679</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund balances between governmental activities and business-type activities are reported as transfers on the statement of net assets.

- B.** Interfund loans consisted of the following “interfund loans receivable/payable” at December 31, 2006, as reported on the fund financial statements.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental	<u>\$ 93,644</u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at December 31, 2006 are reported on the statement of net assets.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - INTERFUND TRANSFERS - (Continued)

- C. Interfund loans consisted of the following amounts “due to/from other funds” at December 31, 2006, as reported on the fund financial statements.

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental	\$ <u>2,314</u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at December 31, 2006 are reported on the statement of net assets.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2006, consisted of municipal income taxes, property taxes, accounts, due from other governments and special assessments. All receivables are considered fully collectible.

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

The 2006 real property taxes are levied after October 1, 2006 on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility real and tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which become a lien January 1, 2006, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - RECEIVABLES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2006 was \$15.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$ 212,287,050
Public Utility Property	4,170,490
Tangible Personal Property	<u>2,312,130</u>
Total Valuation	<u>\$ 218,769,670</u>

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay 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 at September 20.

The Cuyahoga County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The County Auditor 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, 2006 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 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 a receivable and revenue while on a modified accrual basis the revenue is deferred.

B. Income Tax

The City levies an income tax of 1.50% on substantially all income earned within the City. In addition, residents of the City are required to pay City income tax on income earned outside the City; however, a 50% credit up to 1.50% is allowed for income taxes paid to other municipalities. Employers within the City are required to withhold income tax on employee earnings and remit the tax at least quarterly to the Regional Income Tax Agency, who administers the City's income tax collections. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

By City Ordinance, income taxes shall be deposited in the general fund, except that ten percent and two percent of sick balance shall be deposited annually in the capital improvement fund and the capital improvement service equipment fund, respectively.

CITY OF OLMSTED FALLS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 6 - RECEIVABLES - (Continued)

C. Intergovernmental Receivables

A summary of intergovernmental receivables as of December 31, 2006, follows:

	<u>Amount</u>
Local Government and Local Government Revenue Assistance	\$ 129,932
Homestead and Rollback	115,048
Estate Tax	8,856
Gasoline and Excise Tax	90,522
Auto Registration Tax	30,757
Cents Gallon Tax	43,650
State Government	250
County Government	5,431
Ohio Department of Transportation	<u>127,226</u>
Total	<u>\$ 551,672</u>

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 7 - CAPITAL ASSETS

Capital asset activity for Governmental activities for the year ended December 31, 2006 follows:

<u>Governmental Activities</u>	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 657,815	\$ -	\$ (10)	\$ 657,805
Construction in Progress	<u>2,884,648</u>	<u>1,499,428</u>	<u>(2,024,550)</u>	<u>2,359,526</u>
<i>Total Capital Assets, Not Being Depreciated</i>	<u>3,542,463</u>	<u>1,499,428</u>	<u>(2,024,560)</u>	<u>3,017,331</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings	3,596,309	2,024,550	(45,656)	5,575,203
Improvements other than building	51,275	-	-	51,275
Machinery, Equipment & Vehicles	2,060,771	302,050	(76,291)	2,286,530
Infrastructure:				
Traffic Signals	100,251	-	-	100,251
Bridges	536,406	-	-	536,406
Roads	383,265	-	-	383,265
Sanitary sewers	<u>164,379</u>	<u>-</u>	<u>-</u>	<u>164,379</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>6,892,656</u>	<u>2,326,600</u>	<u>(121,947)</u>	<u>9,097,309</u>
Less Accumulated Depreciation:				
Buildings	(237,815)	(75,313)	39,576	(273,552)
Improvements other than building	(6,944)	(1,282)	-	(8,226)
Machinery, Equipment & Vehicles	(765,728)	(116,362)	53,954	(828,136)
Infrastructure:				
Traffic Signals	(5,605)	(2,005)	-	(7,610)
Bridges	(71,159)	(4,986)	-	(76,145)
Roads	-	(19,163)	-	(19,163)
Sanitary sewers	<u>-</u>	<u>(2,192)</u>	<u>-</u>	<u>(2,192)</u>
<i>Total Accumulated Depreciation</i>	<u>(1,087,251)</u>	<u>(221,303)</u>	<u>93,530</u>	<u>(1,215,024)</u>
Total Capital Assets Being Depreciated, Net	<u>5,805,405</u>	<u>2,105,297</u>	<u>(28,417)</u>	<u>7,882,285</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,347,868</u>	<u>\$ 3,604,725</u>	<u>\$ (2,052,977)</u>	<u>\$ 10,899,616</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 49,906
Security of Persons and Property	88,061
Physical environment	2,192
Transportation	73,488
Economic environment	3,387
Culture and recreation	<u>4,269</u>
Total Depreciation Expense	<u>\$ 221,303</u>

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - LONG TERM OBLIGATIONS

The governmental activities long-term liabilities have been restated to remove pension obligations, see Note 3.B. for detail. The City had the following activity in long-term obligations during 2006:

	Restated Balance <u>12/31/2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/06</u>	Due Within <u>One Year</u>
1998 Ohio Water and Sewer Rotary Commission Loan (W&SRC) - 0.00%	\$ 396,075	\$ -	\$ -	\$ 396,075	\$ -
 Ohio Water Development Authority <u>Loans (OWDA):</u>					
1989 Sanitary Sewer - 7.51%	350,398	-	(53,894)	296,504	57,942
1991 Water Mains - 7.45%	219,457	-	(22,929)	196,528	24,637
1995 Water Mains - 6.56%	558,668	-	(28,539)	530,129	30,412
1995 Sanitary Sewers - 4.35%	1,700,430	-	(99,739)	1,600,691	104,124
2002 Sanitary Sewers - 3.95%	508,010	-	(18,379)	489,631	19,112
2002 Storm Sewers - 5.70%	82,074	-	(2,485)	79,589	2,629
Subtotal OWDA:	<u>3,419,037</u>	<u>-</u>	<u>(225,965)</u>	<u>3,193,072</u>	<u>238,856</u>
 Fire Station Improvement Notes					
Series 2002 - 3.90%	1,900,000	1,700,000	(1,900,000)	1,700,000	-
2006 Building Improvement Notes - 3.90%	-	1,820,000	-	1,820,000	-
2006 Various Purpose Notes - 3.90%	-	340,000	-	340,000	-
Compensated Absences	269,392	89,578	(56,790)	302,180	50,861
Capital Lease	<u>1,929</u>	<u>-</u>	<u>(1,929)</u>	<u>-</u>	<u>-</u>
Total Governmental Activities Long - Term Liabilities	<u>\$ 5,986,433</u>	<u>\$ 3,949,578</u>	<u>\$(2,184,684)</u>	<u>\$ 7,751,327</u>	<u>\$ 289,717</u>

Ohio Water and Sewer Rotary Commission (W&SRC) - The City obtained resources from the Ohio Water Sewer Rotary Commission during fiscal year 1998 to pay for the cost of improvements contained within an Agricultural District within the City. The collections of special assessments within an agricultural district are exempt under the terms of Ohio Revised Code Section 929.03. The full amount of the assessment for the portion of the property, for which the use has changed, pursuant to the Revised Code, is due within ten days and must be repaid by the City regardless of whether the City has collected the full amount from property owners at that time. No part of the Ohio Water and Sewer Rotary Commission debt is due until use has changed per the requirements of the law.

The amount of filing and unbilled special assessments for the improvements within the Agricultural District was \$396,075. There was no change in the status of the parcels for the fiscal year ended December 31, 2006.

Ohio Water Development Authority (OWDA) - The City has obtained loans from OWDA for water and sewer line extensions in fiscal years 189, 1991 and 1995. The sewer projects have been mandated by the Ohio Environmental Protection Agency. These loans will be paid from the debt service funds using special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, the City would make payment. These loans are paid for from various debt service funds.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - LONG TERM OBLIGATIONS - (Continued)

During fiscal year 2002, the City obtained two loans from OWDA. One loan is for the construction of storm sewer lines. The second loan is for the construction of sanitary sewer lines, the dismantling of a primary treatment plant and conversion to a pump station. These loans have been finalized, and as a result a repayment schedule is included in the schedule of debt service requirements and the outstanding loan amounts. These loans are paid for from the Capital Improvements Fund.

Governmental Obligations

Years	OWDA	
	Principal	Interest
2007	\$ 238,856	\$ 163,846
2008	252,529	150,173
2009	267,040	135,664
2010	282,439	120,265
2011	258,671	103,928
2012-2016	1,142,092	333,910
2017-2021	624,782	77,834
2022	126,663	9,517
Total	<u>\$ 3,193,072</u>	<u>\$1,095,137</u>

Note Payables - The notes payable have been reported on the governmental activities statement of net assets. The notes are backed by the full faith and credit of the City. The building improvement notes and various purpose notes paid from the capital improvement fund. The liability for the fire station improvement notes are paid from the general bond retirement fund.

Compensated Absences and Capital Leases - Compensated absences will be paid from the fund which the employee's salary is paid, primarily the general fund. Capital leases will be paid from the general fund.

The City's overall legal debt margin was \$22,564,572 and an unvoted debt margin of \$12,032,332 at December 31, 2006.

NOTE 9 - SHORT - TERM NOTE DEBT

The City's note activity, including amounts outstanding and interest rates are reported as follows:

	Balance <u>12/31/2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/06</u>
2005 Building Improvement Notes - 3.35%	\$ 1,950,000	\$ -	\$(1,950,000)	\$ -
2005 Various Purpose Notes - 3.35%	345,000	-	(345,000)	-
2006 Building Improvement Notes - 3.90%	-	60,000	-	60,000
Fire Station Improvement Notes 2002 - 3.90%	-	75,000	-	75,000
Total	<u>\$ 2,295,000</u>	<u>\$ 135,000</u>	<u>\$(2,295,000)</u>	<u>\$ 135,000</u>

CITY OF OLMSTED FALLS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 9 - SHORT - TERM NOTE DEBT - (Continued)

The outstanding bond anticipation notes are backed by the full faith and credit of the City and mature within one year. The liability for the building improvement notes and various purpose notes is reflected in the capital improvement fund. The liability for the fire station improvement notes are reflected in the general bond retirement fund.

The notes are issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

NOTE 10 - CAPITAL LEASE

In 2000, the City entered into a master capital – lease purchase agreement to acquire new phone equipment and parking lot lighting for all departments within City Hall. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. General capital assets acquired by lease have been capitalized in the governmental activities in the amount of \$333,293, which represents the present value of the lease payments at the time of acquisition. A corresponding liability was recorded in the governmental activities. Principal payments in fiscal year 2006 totaled \$1,929. The final payment was paid during fiscal year 2006.

Assets:

Machinery, equipment and vehicles	\$ 282,018
Less: Accumulated Depreciation	<u>(64,392)</u>
Total	<u><u>\$ 217,626</u></u>

Assets:

Improvements other than buildings	\$ 51,275
Less: Accumulated Depreciation	<u>(8,225)</u>
Total	<u><u>\$ 43,050</u></u>

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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 2006, the City contracted through the Municipal Insurance Alliance Agency of Ohio for various types of insurance as follows:

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 11 - RISK MANAGEMENT - (Continued)

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
HCC Insurance Company	Building and Property	\$ 6,939,057
	General Liability	3,000,000
	Public Officials Liability	1,000,000
	Boiler	1,000,000
	Law Enforcement Liability	25,000
	Crime Coverage	50,000
	Employee Dishonesty	1,000,000
	Automobile Liability	10,000,000
	Umbrella Liability	553,890
	Inland Marine	196,233
Travelers Property Casualty	Boiler / Machinery	2,671,862

The City carries commercial insurance coverage for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year. Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

A. Northeast Ohio Public Energy Council (NOPEC)

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in process by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2006. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 1615 Clark Avenue, Cleveland, Ohio, 44109.

B. Chestnut Grove Union Cemetery

The Chestnut Grove Union Cemetery (the Cemetery) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization between the City and Olmsted Township.

CITY OF OLMSTED FALLS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

A joint council consisting of the council members of the City and the Trustees of Olmsted Township governs the Cemetery. The joint council elects and appoints the members of the Board of Trustees. The members of the Board of Trustees consist of the following: one elected member of the legislative body from each of the political subdivisions and one appointed resident from either political subdivision who is not a member of the legislative body. The joint council exercises control over the operation of the Cemetery through budgeting, appropriating and contracting. The Board of Trustees control daily operations of the Cemetery. During 2006, the City contributed \$36,313 to the Cemetery.

C. Joint Economic Development District

The City and Olmsted Township, in an effort to promote growth and economic development, and in accordance with state law, entered into a contract to create the Olmsted Joint Economic Development District (JEDD). The legislative authorities of the City and Township each authorized and directed authorization to enter into a contract for the JEDD. The JEDD was incorporated on September 7, 2001 and JEDD activities initiated December 15, 2001.

A Board of Directors governs the JEDD. The Board is composed of the following members: (a) one member representing the City, appointed by the Mayor and approval of the City Council; (b) one member representing the Township, appointed by the Township Trustees; and (c) one member selected by the two members listed. The Board exercises control over the operation of JEDD through budgeting, appropriations, contracting and designating management. The control by the City and Township is limited to the representation on the board. The City made no contributions to JEDD during fiscal year 2006.

D. Southwest Council of Governments

The Southwest Council of Governments (the Council) helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions and regional development. The Council's Board is comprised of one member from each of the nineteen participating entities. The Board exercises total control over operation of the Council, which includes budgeting, appropriating, contracting, and designating management. The Board adopts an annual budget. Each City's degree of control is limited to its representation on the Board.

The Council has established two subsidiary organizations, the Hazardous Material Response Team (HAZMAT), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. During 2006, the City contributed \$7,500 to the Council. The Council's financial reports may be obtained by contacting Terrence B. Hickey, Secretary – Treasurer, 6281 Pearl Road, Parma Heights, Ohio 44130-3084.

E. Southwest General Health Center

The Southwest General Health Center (the Health Center) is an Ohio non-profit corporation providing health services among the communities of Berea, Brook Park, Columbia Township, Middleburg Heights, Olmsted Falls and Strongsville.

CITY OF OLMSTED FALLS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

The Health Center is governed by a Board of Trustees comprised of the following: one member of the legislative body from each of the member political subdivisions, one resident from each of the member political subdivisions who is not a member of the legislative body, three persons who are residents of any of the member political subdivisions, the president and vice president of the corporations, and the president and vice president of the medical staff. The legislative body of each political subdivision elects their own member to serve on the Board of Trustees of the Health Center.

The Board exercises total control over the operations of the Health Center, including budgeting, appropriating, contracting and designating management. Each City's control is limited to its representation on the Board. During 2006, the City contributed \$43,318 to the Health Center.

NOTE 13 - PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional 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 that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$113,800, \$120,445, and \$124,290, respectively; 82.03% has been contributed for 2006 and 100% for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$20,446, is recorded as a liability.

CITY OF OLMSTED FALLS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 13 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the City is required to contribute 11.75% for police officers and 16.25% for firefighters. Contributions are authorized by State statute. The City's contributions for pension obligations to OP&F for police the years ended December 31, 2006, 2005, and 2004 were \$72,369, \$78,109, and \$78,125 respectively. The City's contributions for pension obligations to OP&F for fire the years ended December 31, 2006, 2005, and 2004 were \$75,098, \$74,930, and \$75,950 respectively. The full amounts for the police and fire departments have been contributed for 2005 and 2004. 83.55 percent for the police department and 82.23 percent for the fire department has been contributed for 2006. The unpaid contribution to fund pension obligations for police and fire, in the amount of \$19,746 and \$19,715, respectively, is recorded as a liability.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The City's actual employer contributions for 2006 which were used to fund postemployment benefits were \$46,928. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 were \$12.0 billion. At December 31, 2006, the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$47,646 for police and \$35,830 for firefighters. The OP&F's total health care expense for the year ended December 31, 2006 was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police officers and 10,563 for firefighters.

CITY OF OLMSTED FALLS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 15 - CONTINGENCIES

A. Grants

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balances 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 statement of revenues, expenditures and changes in fund balances - budget (non-GAAP basis) and actual presented for the general fund is 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
	<u>General Fund</u>
Budget basis	\$ (146,413)
Net adjustment for revenues	79,707
Net adjustment for expenditures	(136,335)
Net adjustment for other financing sources/uses	93,644
Encumbrances	<u>229,392</u>
GAAP Basis	<u>\$ 119,995</u>

CITY OF OLMSTED FALLS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 17 - SUBSEQUENT EVENT

During 2006, the City retired \$1,900,000 of the maturing bond anticipation notes for fire station improvements and renewed \$1,775,000. During 2007, the City decreased the outstanding fire station improvement notes by \$75,000.

During 2006, the City retired \$1,950,000 of the maturing bond anticipation notes for building improvements and renewed \$1,880,000. During 2007, the City decreased the outstanding building improvement notes by \$60,000.

During 2006, the City retired \$345,000 of the maturing bond anticipation notes for fire station improvements and renewed \$340,000.

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of City Council
Olmsted Falls, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Olmsted Falls (the “City”), as of and for the year ended December 31, 2006, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 9, 2010, wherein we noted the City adopted *Governmental Accounting Standards Board Statement Nos. 46 and 47*. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2006-1 and 2006-2.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City’s internal control.

Members of City Council
Olmsted Falls, Ohio

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2006-3.

We noted certain matters that we reported to management of the City in a separate letter dated March 9, 2010.

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

This report is intended solely for the information and use of management, City Council, others within the entity, Auditor of State's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Paricki, Inc.

Cleveland, Ohio
March 9, 2010

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

Members of City Council
Olmsted Falls, Ohio

Compliance

We have audited the compliance of the City of Olmsted Falls (the “City”), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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

As described in finding 2006-4 in the accompanying schedule of findings, the City did not comply with the requirement regarding Reporting that is applicable to its Highway Planning and Construction grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Members of City Council
Olmsted Falls, Ohio

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2006, and have issued our report thereon dated March 9, 2010, wherein we noted the City adopted *GASB Statement Nos. 46 and 47*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, City Council, others within the entity, Auditor of State's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Paricki, Inc.

Cleveland, Ohio
March 9, 2010

City of Olmsted Falls

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2006

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. Department of Transportation</u>			
<i>Passed-Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	20.205	\$ <u>1,180,362</u>	\$ <u>1,179,862</u>
<i>Passed-Through University Hospitals:</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	<u>7,202</u>	<u>8,105</u>
Total U.S. Department of Transportation		<u>1,187,564</u>	<u>1,187,967</u>
<u>U.S. Department of Homeland Security</u>			
Assistance to Firefighters	97.044	<u>41,141</u>	<u>46,200</u>
Total		\$ <u>1,228,705</u>	\$ <u>1,234,167</u>

The accompanying notes are an integral part of this schedule.

City of Olmsted Falls

Notes to the Schedule of Expenditures of Federal Awards

December 31, 2006

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CFDA – Catalog of Federal Domestic Assistance

City of Olmsted Falls

Schedule of Findings OMB Circular A-133 Section .505

December 31, 2006

1. Summary of Auditors' Results

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

City of Olmsted Falls

Schedule of Findings (continued) OMB Circular A-133 Section .505

December 31, 2006

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Findings	Findings Summary
2006-1	<p><i>Financial Reporting – Significant Deficiency/Material Weakness</i></p> <p>Sound financial reporting is the responsibility of the Finance Director and the City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p>The following audit adjustment was made to the financial statements, and where applicable, to the City’s accounting records:</p> <ol style="list-style-type: none"> 1. Restatement of fund balance at December 31, 2005, for pension obligations payable recorded in prior year as a long-term liability which has been moved to a fund liability. <p>The lack of controls over financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p>We recommend the City adopts policies and procedures for controls over year-end financial reporting to help ensure the information accurately reflects the activity of the City thereby increasing the reliability of the financial data at year-end. Although the City has contracted a third party to perform their GAAP Conversion, the City’s management needs to review the statements to be sure that all items are being properly recorded.</p>
2006-2	<p><i>Financial Reporting – Significant Deficiency/Material Weakness</i></p> <p>The City was not reconciling their bank accounts in a timely manner.</p> <p>We recommend the City adopt policies and procedures for controls over the timely preparation of bank reconciliation.</p>
2006-3	<p><i>Proper Encumbrance of Funds – Material Noncompliance</i></p> <p>Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.</p> <p>There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.</p>

City of Olmsted Falls

Schedule of Findings (continued) OMB Circular A-133 Section .505

December 31, 2006

Findings	Findings Summary
2006-3	<p data-bbox="300 493 1421 525"><i>Proper Encumbrance of Funds – Material Noncompliance (Continued)</i></p> <ol data-bbox="300 556 1421 1396" style="list-style-type: none"> <li data-bbox="300 556 1421 766">1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City Council can authorize the drawing of a warrant for the payment of the amount due. The City Council has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City Council. <li data-bbox="300 955 1421 1176">2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. <li data-bbox="300 1207 1421 1396">3. Super Blanket Certificate – The City Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation. <p data-bbox="300 1428 1421 1459">Testing indicated that purchase orders were not signed by the Finance Director.</p> <p data-bbox="300 1491 1421 1669">Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to obligation by the City. When prior certification is not possible “then and now” certification should be used.</p> <p data-bbox="300 1711 1421 1890">We recommend the City certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.</p>

City of Olmsted Falls

Schedule of Findings (continued) OMB Circular A-133 Section .505

December 31, 2006

3. Findings for Federal Awards

2006-4	<p><i>Federal Compliance – Reporting</i></p> <p>OMB Circular A-133 Section 300(e) provides that the auditee is responsible for appropriate submission of the audit reports to the appropriate government officials and organizations. OMB Circular A-133 Section 320(a) further provides that the audit report and data collection form must be submitted within the earlier of 30 days after the reports are received from the auditors, or nine months after the end of the audit period, unless a longer period is agreed upon in advance by the cognizant or oversight agency.</p> <p>No evidence was provided that the City had notified the cognizant or oversight agency when it became apparent that an audit report and data collection form would not be available within the prescribed reporting time.</p> <p>We recommend the City monitor the Reporting requirements to ensure proper submission of audit report filings or notification to the oversight agency.</p>
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City of Olmsted Falls

Schedule of Prior Audit Findings OMB Circular A-133 Section .315b

December 31, 2006

Finding No.	Findings Summary	Fully Corrected	Explanation
2005-1	<i>Material Noncompliance</i> Proper encumbrance of funds: Numerous transactions were entered into prior to receiving the Fiscal Officer's certification.	No	There was material noncompliance again for the 2006 audit.

City of Olmsted Falls

**26100 Bagley Road
Olmsted Falls, Ohio 44136
(440) 235-5550**

**Response to Findings Associated With Audit Conducted
In Accordance With *Government Auditing Standards***

December 31, 2006

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-1	Management will develop a process to oversee the GAAP process more closely and have better communication with the GAAP Converters during the conversion process.	March 2010	Kim Sperling, Finance Director
2006-2	The City is now preparing bank reconciliations on a timely basis.	March 2010	Kim Sperling, Finance Director
2006-3	The City began signing purchase orders in January 2007.	January 2007	Kim Sperling, Finance Director
2006-4	Management will obtain an extension from the Cognizant or Oversight Agency for the reporting requirements if the submission date will not be met.	March 2010	Kim Sperling, Finance Director



Mary Taylor, CPA
Auditor of State

CITY OF OLMSTED FALLS

CUYAHOGA 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
JUNE 8, 2010**