



Dave Yost • Auditor of State

**CITY OF MACEDONIA
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

To the Honorable Mayor and City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, Ohio, as of December 31, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Family Recreation Center Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3B to the financial statements, during the year ended December 31, 2012 the City of Macedonia adopted the provisions of Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources and Net Position*", and Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" wherein the January 1, 2012 governmental fund balance was restated. In addition, as described in Note 3B to the financial statements, the City restated its capital assets due to omissions within the construction in progress balance of the capital assets. Net position was restated as a result of the adjustments.

Other Matters

Required Supplementary Information

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 30, 2013

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

The management's discussion and analysis of the City of Macedonia's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2012 are:

- City income tax revenue totaled \$9,221,979. This is an increase of \$2,057,157 or 28.71 percent from 2011. The City has a 2.25 percent municipal income tax on substantially all income earned within the City.
- Total assets increased by \$5,349,611, a 8.07 percent increase from 2011.
- Total net position increased by \$6,918,561, a 15.15 percent increase from 2011 as restated.
- Total capital assets, net of depreciation increased \$4,438,983, a 9.12 percent increase from 2011, as restated.
- Total outstanding long-term liabilities decreased \$1,322,876, a 10.19 percent decrease from 2011.
- The total governmental fund balances for the City increased from \$6,768,886 to \$7,378,226. The general fund ended the year with a fund balance of \$4,735,959.

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Macedonia as a financial whole or as an entire operating entity. The statements provide an increasingly detailed look at our specific financial condition.

The *statement of net position* and *statement of activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Macedonia as a Whole

Statement of Net Position and Statement of Activities

This document contains information about the funds used by the City to provide services to our citizens. The *statement of net position* and the *statement of activities* answer the question, "How did the City do financially during 2012?" These statements include all assets and liabilities and deferred outflows of resources and deferred inflows of resources, except fiduciary funds, using the accrual basis of accounting similar to the

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
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(Unaudited)

accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

The *statement of net position* and the *statement of activities* are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position (Assets plus Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Revenue and Expenses
- General Revenues
- Net Position Beginning of Year and Year's End

Reporting the City of Macedonia's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds to account for the services, facilities and infrastructure provided to its residents. These fund financial statements focus on the City's most significant funds. In the case of the City of Macedonia, the major funds are the general fund, the family recreation center fund and the capital improvement fund.

Governmental Funds

Most of the City's activities are reported in the governmental funds. Governmental funds are reported using an accounting method called modified accrual accounting. The modified accrual accounting method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The City uses fiduciary funds to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

The City of Macedonia as a Whole

The *statement of net position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to the restated 2011 net position. See Note 3 for more information on the restatement.

Table 1
Net Position

	Governmental Activities		
	2012	Restated 2011	Change
Current and Other Assets	\$ 13,687,216	\$ 12,776,588	\$ 910,628
Capital Assets, Net	53,134,107	48,695,124	4,438,983
<i>Total Assets</i>	<u>66,821,323</u>	<u>61,471,712</u>	<u>5,349,611</u>
<i>Deferred outflows</i>	40,192	50,454	(10,262)
Current and Other Liabilities	720,710	864,157	(143,447)
Long-Term Liabilities:			
Due Within One Year	1,403,318	1,378,342	24,976
Due in More Than One Year	10,267,057	11,614,909	(1,347,852)
<i>Total Liabilities</i>	<u>12,391,085</u>	<u>13,857,408</u>	<u>(1,466,323)</u>
<i>Deferred inflows</i>	1,890,062	2,002,951	(112,889)
Net Investment in Capital Assets	42,203,595	36,426,214	5,777,381
Restricted for:			
Capital Projects	23,631	24,189	(558)
Debt Service	739,700	1,054,381	(314,681)
Street Construction and Maintenance	677,101	276,460	400,641
Police Services and Programs	317,385	136,281	181,104
Fire Services	153,630	189,424	(35,794)
Other Purposes	47,716	218,090	(170,374)
Unrestricted	8,417,610	7,336,768	1,080,842
<i>Total Net Position</i>	<u>\$ 52,580,368</u>	<u>\$ 45,661,807</u>	<u>\$ 6,918,561</u>

The largest portion of the City's net position (80.26 percent) is investments in capital assets (e.g. land, right of ways, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Total assets increased by \$5,349,611 from 2011 to 2012. The City's total liabilities decreased \$1,466,323 for the same period. The change in current assets can be attributed to the increase in cash from the increase in income tax revenue. A significant portion of the increase in capital assets is due to the construction of the Highland Road bridge.

Table 2 shows the changes in net position for the years ended December 31, 2012 and 2011.

Table 2
Changes in Net Position

	Governmental Activities		Change
	2012	2011	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$ 2,745,550	\$ 2,418,755	\$ 326,795
Operating Grants and Contributions	707,112	884,164	(177,052)
Capital Grants and Contributions	4,705,218	2,710	4,702,508
<i>Total Program Revenues</i>	<u>8,157,880</u>	<u>3,305,629</u>	<u>4,852,251</u>
General Revenues:			
Property Taxes	2,167,866	2,239,767	(71,901)
Payment in Lieu of Taxes	44,719	563,220	(518,501)
Municipal Income Taxes	9,221,979	7,164,822	2,057,157
Grants and Entitlements, not restricted	874,856	1,967,534	(1,092,678)
Interest	25,972	69,376	(43,404)
Miscellaneous	40,728	14,763	25,965
<i>Total General Revenues</i>	<u>12,376,120</u>	<u>12,019,482</u>	<u>356,638</u>
<i>Total Revenues</i>	<u>20,534,000</u>	<u>15,325,111</u>	<u>5,208,889</u>
Program Expenses			
General Government	2,071,271	2,241,667	(170,396)
Security of Persons and Property	5,471,959	5,022,347	449,612
Public Health and Welfare	203,547	127,135	76,412
Transportation	2,654,066	2,854,867	(200,801)
Community Environment	512,225	1,044,158	(531,933)
Basic Utility Services	666,972	649,109	17,863
Leisure Time Activities	1,701,371	1,615,279	86,092
Interest and Fiscal Charges	334,028	470,971	(136,943)
<i>Total Program Expenses</i>	<u>13,615,439</u>	<u>14,025,533</u>	<u>(410,094)</u>
Change in Net Position	6,918,561	1,299,578	5,618,983
Net Position Beginning of Year (restated)	45,661,807	44,362,229	1,299,578
Net Position End of Year	<u>\$ 52,580,368</u>	<u>\$ 45,661,807</u>	<u>\$ 6,918,561</u>

Governmental Activities

The City's net position for governmental activities increased \$6,918,561 during 2012. Table 2 indicates total revenues increased by \$5,208,889. At the same time program expenses decreased by \$410,094. The increase in revenue is primarily a result of an increase in capital grants from the State of Ohio for the construction of the Highland Road Bridge along with an increase in income tax revenue.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Several types of revenues fund our governmental activities, with the City income tax as a major revenue source for the City. The income tax rate was 2.25 percent for 2012. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

Total program revenues for 2012 increased by \$4,852,251. Operating grants and contributions decreased \$177,052, capital grants and contributions increased \$4,702,508 and charges for services and sales increased \$326,795.

Total general revenues for 2012 increased by \$356,638 compared to 2011. This increase is due to the increase in income tax revenue for 2012. The income tax revenues for 2012 were \$9,221,979. Of the \$20,534,000 in total revenues, income tax accounts for 44.91 percent of the total governmental revenues. Property taxes for 2012 were \$2,167,866.

General revenues from grants and entitlements, such as local government funds, are also revenue generators. General revenues from grants and entitlements decreased \$1,092,678.

During 2012, the City experienced a 2.92 percent decrease in its program expenses. The largest program function for the City normally relates to security of persons and property which include police and fire services. Security of persons and property expenses increased 8.95 percent in 2012. General government expenses which account for the basic operations of the City including council, mayor, finance, law, purchasing, civil service, engineering, and building maintenance among other departments and services, had expenses of \$2,071,271 for 2012.

The City's Funds

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

Governmental Funds

These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$22,750,818 and expenditures and other financing uses of \$22,141,478. Income tax is the City's largest revenue source.

The largest fund for the City is the general fund. The year-end fund balance for the general fund was \$4,735,959 on a modified accrual basis. This is an increase of \$563,678 from the 2011 ending balance.

The family recreation center fund ended the year with a fund balance of \$1,156,357. This is an increase of \$48,754 from the year-end balance in 2011.

The capital improvement fund ended the year with a deficit fund balance of \$40,305. This is down \$475,155 from the year-end balance in 2011. The deficit fund balance was due to accrued liabilities.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

For all governmental funds, the end of year balances increased \$609,340 from \$6,768,886 in 2011 to \$7,378,226 in 2012.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. Recommendations and requests for budget changes are referred to the Finance Committee before going to the formal Council meeting for ordinance enactment on the change. The Finance Director provides the administration and City Council with monthly reports on revenues and expenditures. This provides all parties with information on revenue and expenditure levels, trends, budgeted versus actual amounts and recommendations on any changes in policy or execution that may be required.

The general fund supports most of the City's major activities such as the police, fire, building, and service departments as well as the legislative and most executive activities. For the general fund, the original budgeted revenues were \$9,466,825 and the final budgeted revenues were \$10,565,362. Actual revenues of \$10,964,818 were \$399,456 more than the final budget due to the City receiving more in municipal income tax revenues than anticipated.

The original budget estimated expenditures and other financing uses were \$11,952,988 and the final budgeted expenditures and other financing uses were \$12,704,735. Actual expenditures and other financing uses were \$11,563,914. Expenditures were \$1,140,821 less than the final budget.

Capital Assets and Long-Term Obligations

Capital Assets

Table 3
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities	
	2012	Restated 2011
Land	\$ 7,150,851	\$ 7,150,851
Right of ways	218,130	218,130
Construction in Progress	8,567,953	3,989,994
Buildings and Improvements	8,870,316	9,116,278
Machinery and Equipment	852,015	837,289
Vehicles	1,708,530	1,833,624
Infrastructure		
Roads	12,968,209	12,460,383
Water Mains	4,279,949	4,386,574
Storm Sewers	8,171,555	8,364,943
Traffic Signals	165,835	151,762
Bridges	180,764	185,296
<i>Totals</i>	\$ 53,134,107	\$ 48,695,124

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Total capital assets, net of depreciation for governmental activities of the City for 2012 were \$53,134,107, a \$4,438,983 increase from the restated 2011 balance. The increase is primarily due capital asset additions of \$6,314,367 exceeding depreciation expense of \$1,846,015. The City also had capital asset disposals, net of accumulated depreciation of \$29,369. See note 10 of the basic financial statements for additional information on capital assets.

Long-Term Obligations

On December 31, 2012, the City of Macedonia had \$9,135,581 in general obligation bonds, \$1,316,500 in special assessment bonds, \$492,243 in OPWC loans and \$26,380 in capital leases outstanding.

Table 4
Outstanding Long-Term Obligations at End of Year

	Governmental	
	2012	Restated 2011
General Obligation Bonds	\$ 9,135,581	\$ 10,306,634
Special Assessment Bonds	1,316,500	1,416,400
OPWC Loan	492,243	526,191
Capital Leases	26,380	70,139
Totals	\$ 10,970,704	\$ 12,319,364

The City has issued general obligation bonds for various purposes and for the Recreation Center and City Hall/Safety Center. There is \$9,135,581 outstanding on the bonds. The special assessment bonds are for street construction on Highland Road and North Freeway Drive. The OPWC loan is for the North Freeway Drive project and is also being paid by special assessments. The capital leases were for a tractor, two trucks and three copiers.

See notes 14 and 15 of the basic financial statements for additional information on debt.

Current Financial Related Activities

The Administration and City Council have committed the City to financial excellence and work hard at maximizing efficiencies and keeping the City's debt obligations at a minimum.

A 1 mill, 5 year Fire Dept. renewal levy passed on May 7, 2013 with an overwhelming 80 percent of the vote. This levy funds 20 percent of the operating budget and is expected to bring in approximately \$400,000 a year. The Macedonia Fire Dept. is a professional Dept. contracted by neighboring municipalities. The Fire Dept. has wide public support and continues to research training and equipment grants to help with capital expenditures.

The voter approved three year 0.25 percent increase in income taxes will sunset after 2013 and will cause an estimated reduction in income tax revenue of \$1.3 million dollars. The administration has drafted a 3 year renewal that if Council approves, will go on the November 2013 ballot for the residents to decide. The .25 percent increase is expected to be earmarked for capital improvements, and will be designated as funds only to be spent on roads, vehicles and safety equipment. A reduction of income tax revenue will sharply affect the capital budget and delay road improvements and capital machinery.

City of Macedonia
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Going forward the income tax collections are up even after discounting the additional .25 percent. The economy continues to improve and residential housing and commercial development increased in 2012. There were 33 new businesses and 42 new residential homes permitted in 2012. Macedonia's geographic location and improved infrastructure make it a prime destination for both businesses and residents.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need additional financial information contact Scott M. Svab, Finance Department, 9691 Valley View Road, Macedonia, Ohio 44056, telephone (330) 468-8359 or the City website at www.Macedonia.oh.us.

**BASIC
FINANCIAL STATEMENTS**

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 6,026,731
Receivables:	
Income taxes.	3,469,271
Real and other taxes	2,146,025
Accounts.	299,615
Special assessments	872,930
Payments in lieu of taxes.	29,926
Accrued interest	16,610
Due from other governments.	711,767
Materials and supplies inventory.	88,962
Prepayments	25,379
Capital assets:	
Land and construction in progress.	15,936,934
Depreciable capital assets, net.	37,197,173
Total capital assets, net.	53,134,107
Total assets	66,821,323
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	40,192
Total deferred outflows of resources	40,192
Liabilities:	
Accounts payable.	155,375
Accrued wages and benefits payable	177,012
Due to other governments	358,204
Accrued interest payable	30,119
Long-term liabilities:	
Due within one year	1,403,318
Due in more than one year.	10,267,057
Total liabilities	12,391,085
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	1,860,136
Payments in lieu of taxes levied for the next fiscal year.	29,926
Total deferred inflows of resources	1,890,062
Net position:	
Net investment in capital assets.	42,203,595
Restricted for:	
Debt service	739,700
Capital projects	23,631
Street construction and maintenance.	677,101
Fire services.	153,630
Police services and programs.	317,385
Other purposes.	47,716
Unrestricted.	8,417,610
Total net position	\$ 52,580,368

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government.	\$ 2,071,271	\$ 96,958	\$ 6	\$ -	\$ (1,974,307)
Security of persons and property . . .	5,471,959	1,313,203	19,242	-	(4,139,514)
Public health and welfare	203,547	2,511	-	-	(201,036)
Transportation.	2,654,066	8,800	684,794	4,705,218	2,744,746
Community environment	512,225	268,111	-	-	(244,114)
Basic utility services	666,972	110,135	-	-	(556,837)
Leisure time activity.	1,701,371	945,832	3,070	-	(752,469)
Interest and fiscal charges.	334,028	-	-	-	(334,028)
Total governmental activities	<u>\$ 13,615,439</u>	<u>\$ 2,745,550</u>	<u>\$ 707,112</u>	<u>\$ 4,705,218</u>	<u>(5,457,559)</u>
General revenues:					
Property taxes levied for:					
General purposes					1,706,723
Fire operating levy.					351,682
Police pension levy.					109,461
Income taxes levied for:					
General purposes					8,114,649
Family recreation center.					1,107,330
Payments in lieu of taxes					44,719
Grants and entitlements not restricted					
to specific programs					874,856
Investment earnings					25,972
Miscellaneous					40,728
Total general revenues					<u>12,376,120</u>
Change in net position					6,918,561
Net position at beginning of year (restated) .					<u>45,661,807</u>
Net position at end of year.					<u>\$ 52,580,368</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Family Recreation Center</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents . . .	\$ 3,545,277	\$ 1,023,840	\$ 6,633	\$ 1,450,981	\$ 6,026,731
Receivables:					
Income taxes	3,035,612	433,659	-	-	3,469,271
Real and other taxes	1,633,788	-	-	512,237	2,146,025
Accounts	281,273	-	-	18,342	299,615
Special assessments	291,383	-	-	581,547	872,930
Payments in lieu of taxes	-	-	-	29,926	29,926
Interfund loans	24,978	-	-	-	24,978
Accrued interest	16,610	-	-	-	16,610
Due from other governments	385,712	-	-	326,055	711,767
Materials and supplies inventory	5,100	-	-	83,862	88,962
Prepayments	16,740	2,439	-	6,200	25,379
Total assets	<u>\$ 9,236,473</u>	<u>\$ 1,459,938</u>	<u>\$ 6,633</u>	<u>\$ 3,009,150</u>	<u>\$ 13,712,194</u>
Liabilities:					
Accounts payable	\$ 65,245	\$ 16,960	\$ 46,938	\$ 26,232	\$ 155,375
Accrued wages and benefits payable	140,151	11,813	-	25,048	177,012
Compensated absences payable	22,858	-	-	-	22,858
Interfund loans payable	-	-	-	24,978	24,978
Due to other governments	271,432	20,686	-	66,086	358,204
Total liabilities	<u>499,686</u>	<u>49,459</u>	<u>46,938</u>	<u>142,344</u>	<u>738,427</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year . . .	1,397,886	-	-	462,250	1,860,136
Delinquent property tax revenue not available . .	182,577	-	-	49,987	232,564
Special assessments revenue not available	291,383	-	-	581,547	872,930
Miscellaneous revenue not available	94,867	-	-	-	94,867
Income tax revenue not available	1,778,849	254,122	-	-	2,032,971
Intergovernmental revenue not available	255,266	-	-	216,881	472,147
Payments in lieu of taxes levied for the next fiscal year	-	-	-	29,926	29,926
Total deferred inflows of resources	<u>4,000,828</u>	<u>254,122</u>	<u>-</u>	<u>1,340,591</u>	<u>5,595,541</u>
Fund balances:					
Nonspendable	30,351	2,439	-	90,062	122,852
Restricted	-	-	-	1,112,275	1,112,275
Committed	511,000	1,153,918	-	344,240	2,009,158
Assigned	113,098	-	-	-	113,098
Unassigned (deficit)	4,081,510	-	(40,305)	(20,362)	4,020,843
Total fund balances (deficit)	<u>4,735,959</u>	<u>1,156,357</u>	<u>(40,305)</u>	<u>1,526,215</u>	<u>7,378,226</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,236,473</u>	<u>\$ 1,459,938</u>	<u>\$ 6,633</u>	<u>\$ 3,009,150</u>	<u>\$ 13,712,194</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total governmental fund balances		\$	7,378,226
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			53,134,107
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	2,032,971	
Real and other taxes receivable		232,564	
Accounts receivable		94,867	
Intergovernmental receivable		472,147	
Special assessments receivable		872,930	
Total		3,705,479	
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(30,119)
Unamortized deferred amounts on refundings are not recognized in governmental funds.			40,192
Unamortized premiums on bond issuances are not recognized in governmental funds.			(300,581)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(676,813)	
Capital lease payable		(26,380)	
General obligation bonds payable		(8,835,000)	
OPWC loans payable		(492,243)	
Special assessment bonds		(1,316,500)	
Total		(11,346,936)	
Net position of governmental activities		\$	52,580,368

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Family Recreation Center	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income taxes	\$ 7,354,783	\$ 1,022,959	\$ -	\$ -	\$ 8,377,742
Real and other taxes	1,740,737	-	-	469,562	2,210,299
Charges for services	712,646	787,633	-	265,812	1,766,091
Licenses and permits	287,932	-	-	7,561	295,493
Fines and forfeitures	587,841	-	-	27,165	615,006
Intergovernmental	772,516	-	4,655,106	808,304	6,235,926
Special assessments	-	-	-	314,245	314,245
Investment income	25,972	-	-	548	26,520
Rental income	24,635	-	-	5,900	30,535
Contributions and donations	415	-	-	3,170	3,585
Payments in lieu of taxes	-	-	-	44,719	44,719
Other	40,313	15,595	-	20,979	76,887
Total revenues	<u>11,547,790</u>	<u>1,826,187</u>	<u>4,655,106</u>	<u>1,967,965</u>	<u>19,997,048</u>
Expenditures:					
Current:					
General government	2,001,477	-	-	22,668	2,024,145
Security of persons and property	4,638,756	-	-	555,351	5,194,107
Public health and welfare	203,547	-	-	-	203,547
Transportation	-	-	-	1,658,787	1,658,787
Community environment	475,964	-	-	36,167	512,131
Leisure time activity	502	1,158,216	-	381,388	1,540,106
Basic utility services	159,722	-	-	152,730	312,452
Capital outlay	42,059	-	6,168,509	61,625	6,272,193
Debt service:					
Principal retirement	522,479	548,979	-	226,149	1,297,607
Interest and fiscal charges	185,836	70,238	-	116,559	372,633
Total expenditures	<u>8,230,342</u>	<u>1,777,433</u>	<u>6,168,509</u>	<u>3,211,424</u>	<u>19,387,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,317,448</u>	<u>48,754</u>	<u>(1,513,403)</u>	<u>(1,243,459)</u>	<u>609,340</u>
Other financing sources (uses):					
Transfers in	-	-	1,038,248	1,715,522	2,753,770
Transfers (out)	(2,753,770)	-	-	-	(2,753,770)
Total other financing sources (uses)	<u>(2,753,770)</u>	<u>-</u>	<u>1,038,248</u>	<u>1,715,522</u>	<u>-</u>
Net change in fund balances	563,678	48,754	(475,155)	472,063	609,340
Fund balances at beginning of year	<u>4,172,281</u>	<u>1,107,603</u>	<u>434,850</u>	<u>1,054,152</u>	<u>6,768,886</u>
Fund balances (deficit) at end of year	<u>\$ 4,735,959</u>	<u>\$ 1,156,357</u>	<u>\$ (40,305)</u>	<u>\$ 1,526,215</u>	<u>\$ 7,378,226</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, 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, 2012

Net change in fund balances - total governmental funds	\$	609,340
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 6,314,367	
Current year depreciation	(1,846,015)	
Total		4,468,352
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(29,369)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	844,237	
Real and other taxes	(42,433)	
Intergovernmental revenues	26,856	
Special assessments	(336,610)	
Accounts	44,902	
Total		536,952
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,297,607
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.		
Increase in accrued interest payable	(2,186)	
Amortization of deferred amounts on refunding	(10,262)	
Amortization of bond premiums and discounts	51,053	
Total		38,605
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.		
		(2,926)
Change in net position of governmental activities	\$	6,918,561

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, 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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 6,010,847	\$ 6,708,349	\$ 6,961,978	\$ 253,629
Real and other taxes.	1,456,881	1,625,939	1,687,412	61,473
Charges for services.	575,949	642,782	667,084	24,302
Licenses and permits	212,359	237,001	245,962	8,961
Fines and forfeitures	431,836	481,947	500,169	18,222
Intergovernmental.	686,824	766,523	795,504	28,981
Investment income.	43,629	48,692	50,533	1,841
Rental income	17,932	20,013	20,770	757
Contributions and donations.	358	400	415	15
Other	30,210	33,716	34,991	1,275
Total revenues	<u>9,466,825</u>	<u>10,565,362</u>	<u>10,964,818</u>	<u>399,456</u>
Expenditures:				
Current:				
General government	2,112,826	2,288,539	1,988,547	299,992
Security of persons and property	5,039,725	5,107,275	4,668,897	438,378
Public health and welfare.	214,000	214,964	203,547	11,417
Community environment	558,047	558,047	505,782	52,265
Leisure time activity	2,000	2,000	502	1,498
Utility services	184,181	184,181	160,158	24,023
Capital outlay	73,127	88,477	75,908	12,569
Debt service:				
Principal retirement.	821,861	821,861	521,182	300,679
Interest and fiscal charges	185,621	185,621	185,621	-
Total expenditures	<u>9,191,388</u>	<u>9,450,965</u>	<u>8,310,144</u>	<u>1,140,821</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>275,437</u>	<u>1,114,397</u>	<u>2,654,674</u>	<u>1,540,277</u>
Other financing sources (uses):				
Transfers (out).	<u>(2,761,600)</u>	<u>(3,253,770)</u>	<u>(3,253,770)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,761,600)</u>	<u>(3,253,770)</u>	<u>(3,253,770)</u>	<u>-</u>
Net change in fund balances	(2,486,163)	(2,139,373)	(599,096)	1,540,277
Fund balances at beginning of year	2,892,347	2,892,347	2,892,347	-
Prior year encumbrances appropriated	61,939	61,939	61,939	-
Fund balance at end of year	<u>\$ 468,123</u>	<u>\$ 814,913</u>	<u>\$ 2,355,190</u>	<u>\$ 1,540,277</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FAMILY RECREATION CENTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 799,549	\$ 888,327	\$ 987,348	\$ 99,021
Charges for services.	637,822	708,642	787,633	78,991
Other	12,629	14,031	15,595	1,564
Total revenues	<u>1,450,000</u>	<u>1,611,000</u>	<u>1,790,576</u>	<u>179,576</u>
Expenditures:				
Current:				
Leisure time activity	1,187,117	1,211,617	1,172,414	39,203
Debt service:				
Principal retirement.	505,000	547,200	547,200	-
Interest and fiscal charges	112,291	70,091	70,091	-
Total expenditures	<u>1,804,408</u>	<u>1,828,908</u>	<u>1,789,705</u>	<u>39,203</u>
Excess (deficiency) of revenues over (under) expenditures.	(354,408)	(217,908)	871	218,779
Fund balances at beginning of year	996,237	996,237	996,237	-
Prior year encumbrances appropriated	14,447	14,447	14,447	-
Fund balance at end of year	<u>\$ 656,276</u>	<u>\$ 792,776</u>	<u>\$ 1,011,555</u>	<u>\$ 218,779</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF MACEDONIA
SUMMIT COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012

		<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$	264,029
Receivables:		
Accounts		13,035
Income taxes.		46,927
Intergovernmental.		<u>2,975</u>
Total assets	\$	<u><u>326,966</u></u>
Liabilities:		
Accounts payable	\$	1,805
Intergovernmental payable.		26,747
Deposits held and due to others.		<u>298,414</u>
Total liabilities	\$	<u><u>326,966</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 1 - Description of the City and Reporting Entity

The City of Macedonia (the “City”) is a charter municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City may exercise all powers of local self-government and police powers to the extent it is not in conflict with applicable general laws. A charter was first adopted by the electorate at a general election held in 1972. The City operates under its own charter and is governed by a Mayor-Council form of government with the Mayor appointing the Finance Director and department heads, with Council approval and Council appointing the Clerk of Council. Officials include six Council members and a Mayor elected to four-year terms.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Macedonia, this includes the departments and agencies that provide the following services: police, fire, street maintenance, planning and zoning, emergency medical technicians, parks and recreation system, public improvements department, general administrative services and Mayor’s court.

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

The City is associated with two jointly governed organizations, the Northeast Ohio Public Energy Council and the Regional Council of Governments and one joint venture, the Northfield Center Township - Macedonia Joint Economic Development District. These organizations are presented in notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Macedonia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City reports two categories of funds: governmental and fiduciary.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

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

General Fund - The general fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Macedonia and/or the general laws of Ohio.

Family Recreation Center Fund - The family recreation center fund accounts for membership and program fees and income taxes to be used for the operation and maintenance of the family recreational center.

Capital Improvement Fund - The capital improvement fund accounts for resources used to purchase equipment and construct capital assets.

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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits pledged by contractors, citizens and building assessment fees collected for the Ohio Board of Building Standards; a payroll revolving fund that accounts for net payroll and related deductions for distribution; an escrow account for the Route 8 construction project; a Joint Economic Development District with Northfield Center Township; and finally, community room security deposits and mayor's court bonds.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

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 and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees and rentals.

Deferred Inflows of Resources - Deferred inflows of resources arise when assets are recognized before revenue recognition criteria have been satisfied.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control is at the department level and object level of personal services for the general, street construction, maintenance and repair and parks and recreation funds, at the line item level for the capital improvements fund, and at the fund level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. More detailed allocations beyond the legal level of appropriations passed by Council may be made by the Finance Director.

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

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents

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

During 2012, the City's investments were limited to money market funds, U.S. Treasury notes, federal agency securities and State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2012.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2012 amounted to \$25,972, which includes \$11,096 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. An analysis of the City's investment account at year-end is provided in Note 6.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

H. Inventory

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

I. Capital Assets

The City's only capital assets are general capital assets. General capital assets are those assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land	N/A
Right-of-Ways	N/A
Buildings and Improvements	15 - 100 years
Land Improvements	20 years
Machinery and Equipment	5 - 40 years
Furniture and Fixtures	10 - 25 years
Vehicles	6 - 25 years
Infrastructure	15 - 50 years

The City's infrastructure consists of roads, water mains, storm sewers, traffic signals, and bridges and includes infrastructure acquired since December 31, 1980.

J. Interfund Balances

On fund financial statements, receivables and payables resulting in short term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

K. Compensated Absences

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position invested in capital assets, 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 position is reported as restricted when there are limitations imposed on its use either through constitutional provisions on enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted for other purposes include the operations of the permissive tax fund, CDBG grant, mayor's court computer fund and quiet zone maintenance fund.

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

O. Interfund Activity

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Bond Premium

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

Q. Gain/Loss on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method.

R. 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.

S. Estimates

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

Note 3 - Changes in Accounting Principles

A. Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 3 - Changes in Accounting Principles (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government’s *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 3 - Changes in Accounting Principles (Continued)

B. Prior Period Adjustment

Governmental net assets will be restated for the implementation of GASB Statement No. 65 and to correct omissions in the construction in progress balance of capital assets. The adjustments had the following effect on net position of the governmental activities:

	Governmental Activities
Net assets as previously reported	\$ 41,988,574
Capital asset adjustment	3,886,747
Removal of unamortized bond issuance costs	(213,514)
Net position at January 1, 2012	\$ 45,661,807

Note 4 - Compliance and Accountability

Fund Deficits

Fund balances at December 31, 2012 included the following individual fund deficits:

Major Fund	Fund Balance Deficit
Capital Improvement	\$ 40,305
Nonmajor Fund	
Highland Road bridge	20,362

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued assets and liabilities.

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 5 - Budgetary Basis of Accounting (Continued)

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the family recreation center fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General fund</u>	Family Recreation <u>Center fund</u>
Budget basis	\$ (599,096)	\$ 871
Net adjustment for revenue accruals	580,328	35,611
Net adjustment for expenditure accruals	(576,805)	4,698
Net adjustment for other sources/uses	500,000	-
Funds budgeted elsewhere	501,290	-
Adjustment for encumbrances	<u>157,961</u>	<u>7,574</u>
GAAP basis	<u>\$ 563,678</u>	<u>\$ 48,754</u>

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 5 - Budgetary Basis of Accounting (Continued)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the emergency fund, the unclaimed monies fund and the underground storage tank fund.

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 6 - Deposits and Investments (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

Cash on Hand

At year end, the City had \$1,175 in undeposited cash on hand, which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents".

Deposits

At December 31, 2012, the carrying amount of all City deposits was \$3,482,027. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$2,414,747 of the City's bank balance of \$3,557,686 was exposed to custodial risk as discussed below, while \$1,142,939 was covered by the Federal Deposit Insurance Corporation "FDIC".

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 6 - Deposits and Investments (Continued)

Investments

All investments are in an internal investment pool. As of December 31, 2012, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater Than 24 months</u>
STAR Ohio	\$ 62,541	\$ 62,541	\$ -	\$ -	\$ -	\$ -
Fifth Third money market	159,047	159,047	-	-	-	-
FHLB	408,400	100,497	307,903	-	-	-
Freddie Mac	910,412	-	-	103,013	208,440	598,959
Fannie Mae	1,115,284	100,862	102,563	103,038	104,462	704,359
U.S. Treasury Note	151,874	50,226	101,648	-	-	-
Total	<u>\$ 2,807,558</u>	<u>\$ 473,173</u>	<u>\$ 512,114</u>	<u>\$ 206,051</u>	<u>\$ 312,902</u>	<u>\$ 1,303,318</u>

The weighted average maturity of investments is 1.95 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, treasury note and the U.S. government money market fund are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Credit Risk: STAR Ohio and the Fifth Third money market fund carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The federal agency securities and treasury note carry a rating of AA+/Aaa by Standard & Poor's and Moody. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk: The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 62,541	2.23
Fifth Third money market	159,047	5.66
FHLB	408,400	14.55
Freddie Mac	910,412	32.43
Fannie Mae	1,115,284	39.72
U.S. Treasury note	151,874	5.41
Total	<u>\$ 2,807,558</u>	<u>100.00</u>

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 6 - Deposits and Investments (Continued)

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the financial statements as of December 31, 2012:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 3,482,027
Investments	2,807,558
Cash on hand	<u>1,175</u>
Total	<u>\$ 6,290,760</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 6,026,731
Agency funds	<u>264,029</u>
Total	<u>\$ 6,290,760</u>

Note 7 - Receivables

Receivables at December 31, 2012, consisted primarily of municipal income taxes, property taxes, payment in lieu of taxes, special assessments, accounts (billings for user charged services and court fines), and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes and special assessments are expected to be collected within one year. Property taxes although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$291,383 in the general fund, \$578,854 in the special assessment bond retirement fund and \$2,693 in the water maintenance expense fund. At December 31, 2012 the amount of delinquent special assessments was \$23,227.

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 7 - Receivables (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Macedonia. The Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred outflows of resources since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by deferred outflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred outflow of resources.

The full tax rate for all City operations for the year ended December 31, 2012 was \$8.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 280,390,560
Commercial/Industrial/Mineral	100,244,410
Public Utility	
Real	921,470
Personal	<u>15,865,810</u>
Total Assessed Value	<u><u>\$ 397,422,250</u></u>

B. Income Taxes

The City levies a 2.25 percent municipal income tax on substantially all income earned within the City. In addition, City residents are required to pay tax on income earned outside of the City. The City allows a credit of one-hundred percent for income tax paid to another municipality, not to exceed two percent of taxable income.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 7 - Receivables (Continued)

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 8.5 percent of the City's net income tax collections will be allocated to general improvements, 12.5 percent to parks and recreation, and 29 percent of the general fund's income tax revenue to cover police, fire and service department expenditures. The balance is to be used for current operating expenditures.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of three percent.

C. Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

Governmental activities:	<u>Amount</u>
Local Government	\$ 140,000
Homestead and Rollback	102,462
Inheritance Tax	79,666
Street Construction, Maintenance and Repair	275,141
State Highway	16,361
Motor Vehicle License	6,818
Other	<u>91,319</u>
<i>Total Governmental Activities</i>	<u>\$ 711,767</u>

Note 8 - Compensated Absences

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. Normally, all vacation is to be taken in the year available unless written approval for carryover of vacation is obtained, in which case it is to be used in the first quarter of the following year. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at a rate of 1 1/4 days per month. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of forty percent of accumulated, unused sick leave up to a maximum payment of 384 hours, except fire employees whose maximum payment is up to 460 hours and police employees whose maximum payment is up to 500 hours. An employee with less than 10 years of service with the City, who is terminated other than retirement, is entitled to be paid 25 percent of their accrued unused sick leave up to a maximum payment of 240 hours.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 9 - Interfund Transactions

- A.** Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Capital improvement	\$ 1,038,248
Nonmajor governmental funds	1,715,522
Total	\$ 2,753,770

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move residual equity amounts. Transfers between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund loans consisted of the following at December 31, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 24,978

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 10 - Capital Assets

Capital asset activity as of December 31, 2011 has been restated from \$44,808,377 to \$48,695,124 due to omissions in construction in progress of \$3,886,747. Capital asset activity for the year ended December 31, 2012 was as follows:

	Restated Balance 12/31/11	Additions	Deletions	Balance 12/31/12
Governmental activities:				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 7,150,851	\$ -	\$ -	\$ 7,150,851
Right-of-Ways	218,130	-	-	218,130
Construction in Progress	3,989,994	5,229,806	(651,847)	8,567,953
<i>Total Capital Assets Not Being Depreciated</i>	<u>11,358,975</u>	<u>5,229,806</u>	<u>(651,847)</u>	<u>15,936,934</u>
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	12,355,435	-	-	12,355,435
Machinery and Equipment	1,664,694	148,731	(23,000)	1,790,425
Vehicles	3,698,458	129,317	(41,796)	3,785,979
Infrastructure:				
Roads	23,153,823	1,364,187	-	24,518,010
Water Mains	6,039,132	14,300	-	6,053,432
Storm Sewers	11,490,690	36,794	-	11,527,484
Traffic Signals	500,572	43,079	-	543,651
Bridges	226,589	-	-	226,589
<i>Total Capital Assets Being Depreciated</i>	<u>59,129,393</u>	<u>1,736,408</u>	<u>(64,796)</u>	<u>60,801,005</u>
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(3,239,157)	(245,962)	-	(3,485,119)
Machinery and Equipment	(827,405)	(121,355)	10,350	(938,410)
Vehicles	(1,864,834)	(237,692)	25,077	(2,077,449)
Infrastructure:				
Roads	(10,693,440)	(856,361)	-	(11,549,801)
Water Mains	(1,652,558)	(120,925)	-	(1,773,483)
Storm Sewers	(3,125,747)	(230,182)	-	(3,355,929)
Traffic Signals	(348,810)	(29,006)	-	(377,816)
Bridges	(41,293)	(4,532)	-	(45,825)
<i>Total Accumulated Depreciation</i>	<u>(21,793,244)</u>	<u>(1,846,015)</u>	<u>35,427</u>	<u>(23,603,832)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>37,336,149</u>	<u>(109,607)</u>	<u>(29,369)</u>	<u>37,197,173</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 48,695,124</u>	<u>\$ 5,120,199</u>	<u>\$ (681,216)</u>	<u>\$ 53,134,107</u>

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 10 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follow:

General government	\$ 79,748
Security of persons and property	250,504
Leisure time activities	156,110
Basic utility services	354,520
Community environment	324
Transportation	<u>1,004,809</u>
Total	<u>\$ 1,846,015</u>

Note 11 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. As of December 31, 2012, the City contracted with the Ohio Municipal League Self Insurance Pool, for a three year contract, administered by Dawson and DiStefano Insurance Company, as follows:

Type of Coverage	Coverage	Deductible
Ohio Municipal Joint Self Insurance Pool		
Blanket Property, and Contents, Replacement	\$ 15,136,058	\$1,000
General Liability	6,000,000	1,000
Automobile Liability	6,000,000	1,000
Umbrella Liability	6,000,000	1,000
Employer Liability	6,000,000	1,000
Miscellaneous Equipment (Scheduled)	cash value	1,000
Miscellaneous Equipment (Unscheduled)	cash value	1,000
Tower and Antenna	cash value	1,000
Public Officials Liability	6,000,000	25,000
Law Enforcement	6,000,000	25,000
Employee Benefits Liability (per act)	1,000,000	25,000
Employment Practices Liability	1,000,000	25,000

The City carries commercial insurance coverage for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 11 - Risk Management (Continued)

B. Workers' Compensation

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

Note 12 - Pension Plans

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00 percent for members. The City's contribution rate for 2012 was 14.00 percent of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00 percent. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95 percent. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$266,335, \$255,736, and \$237,349, respectively; 86.63 percent has been contributed for 2012 and 100 percent has been contributed for 2011 and 2010. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the member-directed plan for 2012 were \$11,022 made by the City and \$7,873 made by the plan members.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 12 - Pension Plans (Continued)

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.00 percent of their annual covered salary, while the City is required to contribute 19.50 percent and 24.00 percent for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, the portion of the City's contributions to fund pension obligations was 12.75 percent for police officers and 17.25 percent for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$161,004 and \$169,133 for the year ended December 31, 2012, \$155,548 and \$165,438 for the year ended December 31, 2011, and \$165,507 and \$167,554, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 78.16 percent has been contributed for police and 75.42 percent has been contributed for firefighters for 2012. The remaining 2012 pension liability has been reported as due to other governments on the basic financial statements.

Note 13 - Postretirement Benefit Plans

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 13 - Postretirement Benefit Plans (Continued)

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00 percent of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00 percent. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05 percent.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$106,768, \$102,651, and \$135,196, respectively; 86.63 percent has been contributed for 2012 and 100 percent has been contributed for 2011 and 2010. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 13 - Postretirement Benefit Plans (Continued)

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$85,237 and \$66,182 for the year ended December 31, 2012, \$82,349 and \$64,737 for the year ended December 31, 2011, and \$87,622 and \$65,564, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 78.16 percent has been contributed for police and 75.42 percent has been contributed for firefighters for 2012. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 14 - Capital Leases

In prior years, the City entered into lease agreements for a tractor, two trucks and three copiers. The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases". Capital lease payments have been reclassified and are reflected as debt service expenditures on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized and depreciated as follows as of December 31, 2012:

Governmental Activities	
<i>Capital Assets, being depreciated:</i>	
Vehicles	\$ 539,000
Equipment	<u>242,668</u>
<i>Total capital assets, being depreciated</i>	781,668
Less: Accumulated Depreciation	<u>(208,427)</u>
<i>Capital Assets, Net</i>	<u>\$ 573,241</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012.

Year Ending December 31,	Governmental Activities
2013	\$ 26,327
2014	<u>1,386</u>
Total	27,713
Less: Amount Representing Interest	<u>(1,333)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 26,380</u>

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 15 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds and loans follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
General Obligation Bonds			
Various Purpose Refunding, 2011	2.00-3.00 %	\$ 4,985,000	December 1, 2016
Various Purpose, 2010	2.00-4.00	5,130,000	December 1, 2030
Special Assessments			
Highland Road Improvement Variance, 2003	2.00-4.00	1,260,000	December 1, 2023
Highland Road Improvement, 1996	6.25	294,100	December 1, 2016
North Freeway Drive, 2006	5.38	543,300	December 1, 2026
Ohio Public Works Commission Loan (OPWC)			
North Freeway Drive Project, 2005	-	678,957	December 1, 2027

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 15 - Long-Term Obligations (Continued)

Changes in long-term obligations of the City during 2012 are as follows:

	Balance 12/31/11	Increase	Decrease	Balance 12/31/12	Amounts Due in One Year
General Obligation Bonds					
Various Purpose Refunding Bonds, 2011	\$ 4,985,000	\$ -	\$ (960,000)	\$ 4,025,000	\$ 975,000
Various Purpose Bonds, 2010	4,970,000	-	(160,000)	4,810,000	160,000
<i>Total General Obligation Bonds</i>	<u>9,955,000</u>	<u>-</u>	<u>(1,120,000)</u>	<u>8,835,000</u>	<u>1,135,000</u>
Special Assessment Bonds					
with Governmental Commitment					
Highland Road Improvement Variance, 2003					
Serial Bonds	245,000	-	(60,000)	185,000	60,000
Term bonds	605,000	-	-	605,000	-
Highland Road Improvement, 1996	110,400	-	(19,500)	90,900	20,700
North Freeway Drive, 2006	456,000	-	(20,400)	435,600	21,500
<i>Total Special Assessment Bonds</i>	<u>1,416,400</u>	<u>-</u>	<u>(99,900)</u>	<u>1,316,500</u>	<u>102,200</u>
Ohio Public Works Commission Loan (OPWC)					
North Freeway Drive Project, 2005	526,191	-	(33,948)	492,243	33,948
Capital Leases	70,139	-	(43,759)	26,380	25,036
Compensated Absences Payable	673,887	106,519	(80,735)	699,671	107,134
Total Governmental					
Long-Term Liabilities	<u>\$ 12,641,617</u>	<u>\$ 106,519</u>	<u>\$ (1,378,342)</u>	<u>11,369,794</u>	<u>\$ 1,403,318</u>
			Add: Unamortized Premium	<u>300,581</u>	
			Total on Statement of Net Position	<u>\$ 11,670,375</u>	

General obligation bonds are the direct obligation of the City for which its full faith and credit are pledged for repayment and will be paid from the collection of income taxes.

Special assessment bonds will be paid from special assessment proceeds levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

The Ohio Public Works Commission (OPWC) loan for North Freeway Drive Project will be paid from special assessments.

Compensated absences will be paid from the general fund and the street construction, maintenance and repair, parks and recreation and family recreation center special revenue funds.

Optional Redemption - The bonds maturing on or after December 1, 2012, shall be subject to redemption, by and at the option of the City, on or after December 1, 2011, in whole or in part on any date, in the integral multiples of \$5,000, at the redemption price of 100 percent of principal amount to be redeemed, plus interest accrued to the redemption date.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 15 - Long-Term Obligations (Continued)

Mandatory Sinking Fund Redemption - The bonds maturing on December 1, 2023 shall be term bonds subject to mandatory sinking redemption requirements. The mandatory redemption is to occur on December 1, 2016 and 2022 (with the balance of \$85,000 to be paid at stated maturity on December 1, 2023):

<u>Year</u>	<u>Principal Amount</u>
2016	\$ 65,000
2017	70,000
2018	70,000
2019	75,000
2020	75,000
2021	80,000
2022	85,000

2010 Various Purpose Bonds

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

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

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

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

2011 Refunding Bonds

On December 14, 2011, the City issued general obligation bonds to refund the Series 2001 General Obligation Bonds (principal \$4,120,000) and Series 2003 Refunding Bonds (\$950,000). This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 15 - Long-Term Obligations (Continued)

The debt issue is comprised of bonds, par value \$4,985,000. The interest rate on the bonds ranges from 2.00-3.00 percent. The bond matures December 1, 2016.

The reacquisition price exceeded the net carrying amount of the old debt by \$51,309. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Principal and interest requirements to retire the long-term obligations as of December 31, 2012, are as follows:

Years	General Obligation Bonds		Special Assessment Bonds		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2013	\$ 1,135,000	\$ 290,400	\$ 102,200	\$ 59,297	\$ 33,948
2014	1,095,000	267,700	104,700	54,880	33,948
2015	1,140,000	235,400	112,300	50,228	33,948
2016	1,115,000	201,800	115,100	45,186	33,948
2017	245,000	168,350	96,600	39,658	33,948
2018 - 2022	1,345,000	712,750	541,500	131,469	169,740
2023 - 2027	1,640,000	425,400	244,100	23,249	152,763
2028 - 2030	1,120,000	90,200	-	-	-
Total	\$ 8,835,000	\$ 2,392,000	\$ 1,316,500	\$ 403,967	\$ 492,243

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5 percent of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5 percent of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2012, the City's total debt margin was \$33,085,301 (including available funds of \$190,965) and the unvoted debt margin was \$21,858,224.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 16 - Jointly Governed Organization

A. Northeast Ohio Public Energy Council (NOPEC)

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 134 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the ten-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program.

The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Macedonia did not contribute to NOPEC during 2012. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Rd. Suite 20, Solon, Ohio or at the website www.nopecinfo.org.

B. Regional Council of Governments

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 223 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2005.

Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 17 - Joint Venture

The City participates in the Northfield Center Township - Macedonia Joint Economic Development District (JEDD) which is created in accordance with sections 715.70 and 715.71 of the Ohio Revised Code. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The City and the Township shall work together to provide or cause to be provided, water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of six members, three from each the City and the Township. The Township members of the Board are the Township Trustees. The City members are the Mayor and two elected members of Council who are appointed to the Board by the Mayor and approved by Council. The Board adopted an annual budget for the JEDD and estimated the revenues and expenses of the operation of the JEDD. They also established the distribution of the income tax revenues. The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area.

Continued existence of the JEDD is dependent on the City's continued participation; however, the City does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. In 2012, the JEDD had total distributions of \$390,619 of which \$187,944 went to the City. Complete financial statements can be obtained from the Northfield Center Township-Macedonia Joint Economic Development District, City of Macedonia Finance Department, 9691 Valley View Road, Macedonia, Ohio, 44056.

Note 18 - Tax Increment Financing District (TIF)

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

PILOT revenue was \$44,719 in 2012 as reported in the fund financial statements. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 19 - Contingencies

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2012.

B. Litigation

The City of Macedonia is a party to legal proceedings seeking damages. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Note 20 - Other Commitments

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End</u> <u>Encumbrances</u>
General fund	\$ 113,098
Street construction,	
Maintenance and repair	45,570
Family recreation center	2,520
Other nonmajor governmental	<u>220,729</u>
Total	<u>\$ 381,917</u>

City of Macedonia
Summit County, Ohio
Notes to Basic Financial Statements
For the Year Ended December 31, 2012

Note 21 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Family Recreation Center Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 5,100	\$ -	\$ -	\$ 83,862	\$ 88,962
Unclaimed monies	8,511	-	-	-	8,511
Prepays	<u>16,740</u>	<u>2,439</u>	<u>-</u>	<u>6,200</u>	<u>25,379</u>
Total nonspendable	<u>30,351</u>	<u>2,439</u>	<u>-</u>	<u>90,062</u>	<u>122,852</u>
Restricted:					
Security of persons and property	-	-	-	344,279	344,279
Transportation	-	-	-	507,840	507,840
Community environment	-	-	-	10,823	10,823
Debt service	-	-	-	190,965	190,965
Capital projects	-	-	-	23,631	23,631
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,737</u>	<u>34,737</u>
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112,275</u>	<u>1,112,275</u>
Committed:					
Security of persons and property	-	-	-	59,831	59,831
Community environment	-	-	-	8,753	8,753
Leisure time activities	-	1,153,918	-	42,174	1,196,092
Retirement reserve	500,000	-	-	-	500,000
Underground storage tank	11,000	-	-	-	11,000
Capital projects	-	-	-	43,977	43,977
Utility services	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,505</u>	<u>189,505</u>
Total committed	<u>511,000</u>	<u>1,153,918</u>	<u>-</u>	<u>344,240</u>	<u>2,009,158</u>
Assigned:					
General government	21,465	-	-	-	21,465
Security of persons and property	32,049	-	-	-	32,049
Community environment	28,743	-	-	-	28,743
Utility services	266	-	-	-	266
Capital outlay	<u>30,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,575</u>
Total assigned	<u>113,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,098</u>
Unassigned (deficit)	<u>4,081,510</u>	<u>-</u>	<u>(40,305)</u>	<u>(20,362)</u>	<u>4,020,843</u>
Total fund balances	<u>\$ 4,735,959</u>	<u>\$ 1,156,357</u>	<u>\$ (40,305)</u>	<u>\$ 1,526,215</u>	<u>\$ 7,378,226</u>

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Dave Yost • Auditor of State

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

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

To the Honorable Mayor and City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2013, wherein we noted the City restated its governmental fund balance due to the implementation of GASB Statement No. 63 and 65 and the omissions within the construction in progress balance of the capital assets.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 30, 2013

**CITY OF MACEDONIA
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Noncompliance

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provides guidelines pertaining to allowable inter-fund transfers. Generally, before an inter-fund transfer can be made, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board.

Although transfers out of the General Fund totaling \$2,261,600 were approved as part of the City's permanent appropriations, because Council does not approve the estimated revenue side of the City's annual budget, the resulting transfers in of \$1,290,000 to the Street Construction, Maintenance, and Repair Fund; \$213,332 to the Parks and Recreation Fund; and \$758,268 to the Capital Improvement were not formally approved.

In order to ensure the proper approval of all transfers included in the annual appropriations, Council should either approve the entire annual budget or separately approve all transfers.

Official's Response: Council will formally approve the estimated revenue budget.

FINDING NUMBER 2012-002

Material Weakness-Highland Road Bridge Project

In 2005, the City entered into an agreement with the Ohio Department of Transportation (ODOT) for the improvement of a portion of Highland Road by separating at the grade crossing of the Norfolk Southern Railroad (ODOT Project ID #23064). In accordance with the agreement, ODOT agreed to pay for 95% of the project on behalf of the City utilizing Federal monies and the City agreed to pay 5%. The engineering and design activities for the project commenced during 2005, followed by construction, which continued through 2012 and concluded with the project being completed during 2013. The total cost of the project through December 31, 2012 was \$8,147,458.

Because of confusion regarding the administration of the contract and ownership of the resulting asset, as of the beginning of 2012, none of the costs for this project had been recorded by the City in any year. During 2012 and based upon discussion with the primary construction company used for the project, the Finance Director recorded \$6,354,844 of on-behalf revenues/expenditures for the project. This amount represented the total amount received by this vendor from ODOT for this project since its inception. The total cost that should have been recorded during 2012 for all vendors was \$4,260,711. As a result, revenues and expenditures in the Capital Improvement Fund were overstated by \$2,094,133, requiring an audit adjustment to the City's 2012 financial statements. Additionally, the City's 2012 beginning balance was restated by \$3,886,747, representing on behalf, project related costs that should have been recorded in previous years.

Regarding the asset, during 2012, the Finance Director capitalized the \$6,354,844 recorded for this project as Infrastructure - Bridges. As a result, like the revenues and expenditures, capital assets was also overstated by \$2,094,133, requiring an audit adjustment. Additionally, because the project was not completed until 2013, all associated costs should have been classified as Construction in Progress (CIP) as of December 31, 2012. In order to correct this, changes were made to the capital asset note disclosure to restate the beginning CIP balance by \$3,886,747 and reclassify \$4,260,711 of infrastructure additions to CIP.

FINDING NUMBER 2012-002 (Continued)

Material Weakness-Highland Road Bridge Project (Continued)

In order to properly account for construction projects paid by other entities, including ODOT, on behalf of the City, the City should record receipts and disbursements in the year the on behalf disbursements were made. Additionally, the City should review Auditor of State Bulletin 2000-008 and all on behalf program documents and/or contracts to ensure compliance with other reporting requirements. Regarding the resulting infrastructure asset, the City should review Auditor of State Bulletin 2001-008 in order to ensure the City is properly reporting all assets resulting from these types of agreements

Official's Response: Original start date of project was seven years ago and project was assumed not to be a recorded asset until finalized. New projects will be recorded per state bulletins 2001-2008.

FINDING NUMBER 2012-003

Significant Deficiency-Accounts Receivable

The Family Recreation Center collects daily receipts from customers at the time of service; for example, for daily fitness passes. For 2012, the Generally Accepted Accounting Principles (GAAP) conversion team erroneously included these daily receipts, collected in January and February 2013 in accounts receivable as of December 31, 2012, resulting in an overstatement in the Family Recreation Center totaling \$199,901. The financial statements were subsequently adjusted to eliminate the improper accounts receivable.

The City should review the GAAP Conversion work papers to help ensure that receivable amounts are properly reported at year-end.

Official's Response: The outside contractor that compiled the GAAP conversion has corrected the entry. Additional reviews will be added during subsequent compilations.

**CITY OF MACEDONIA
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 – Transfer of Funds	No	See Finding Number 2012-001
2011-02	Material Weakness-Accounting System Reconciliation	Yes	Finding No Longer Valid
2011-03	Material Weakness-Debt Summary	Yes	Finding No Longer Valid
2011-04	Material Weakness-Capital Assets	Yes	Finding No Longer Valid
2011-05	Significant Deficiency-Posting Budgetary Information	No	Partially corrected. See Management Letter
2011-06	Significant Deficiency-Compilation of Budget Versus Actual Statements	Yes	Finding No Longer Valid

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CITY OF MACEDONIA

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 10, 2013**