



**Auditor of State
Betty Montgomery**

**CITY OF MUNROE FALLS
SUMMIT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Mayor and Members of City Council
City of Munroe Falls
Summit County
43 Munroe Falls Avenue
Munroe Falls, Ohio 44262

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Munroe Falls, Summit County, Ohio, (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Munroe Falls, Summit County, Ohio as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General Fund, Fire Department Special Levy Fund and EMS Special Levy Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Additionally, the City restated the business-type activity and major water fund net assets as of December 31, 2002 as a result of an adjustment to capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

October 12, 2004

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

The management's discussion and analysis of the City of Munroe Falls' (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analyses is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2003 are:

- City income tax totaled \$1,192,526 in governmental activities. The City anticipates a flat to moderate increase for the next few years with the expectation of an improving economy and a growth in commercial development.
- Total assets increased by \$211,725 over 2002, or 1.78 percent.
- Total net assets increased by \$543,999 over 2002, or 6.94 percent.
- Total capital assets increased by \$220,591 over 2002, or 3.14 percent.
- Total outstanding long-term liabilities decreased by \$318,616 over 2002, or 10.16 percent.

Using This Financial Report

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

This year is the first year the City has prepared financial statements implementing Governmental Accounting Standards Board (GASB) Statement No. 34. This reporting model specifies that revenues and costs will be accounted for as they occur. Long-lived capital assets including infrastructure such as roads and bridges are also now reported. The City has elected to report only the current year's infrastructure assets on the 2003 statements and bring on the remaining infrastructure assets over the next two years. Since GASB Statement No. 34 requires the costing of long-lived assets, depreciation expense will be part of the measuring process.

With this new reporting model now implemented, the City believes it is not cost effective to prepare a Comprehensive Annual Financial Report (CAFR). The additional costs of more detailed reporting would not justify any added value a CAFR format would provide.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. 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.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
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Reporting the City of Munroe Falls as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City of Munroe Falls' Most Significant Funds

Fund Financial Statements

The presentation of the City's major funds begins on page 16. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Munroe Falls, the major funds are the general, fire department special levy, EMS special levy, general obligation bond retirement, capital improvement and water.

Government Funds

Most of the City's activities are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. Governmental funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

Proprietary Funds

The proprietary fund (the water fund) has historically operated as an enterprise fund using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole.

The City as a Whole

The *Statement of Net Assets* looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$3,326,791	\$3,473,160	\$1,544,017	\$1,406,514	\$4,870,808	\$4,879,674
Capital Assets, Net	4,659,669	4,415,043	2,585,875	2,609,910	7,245,544	7,024,953
<i>Total Assets</i>	7,986,460	7,888,203	4,129,892	4,016,424	12,116,352	11,904,627
Liabilities						
Current and Other Liabilities	896,684	901,324	15,435	24,453	912,119	925,777
Long-Term Liabilities:						
Due Within One Year	299,902	293,605	67,229	72,505	367,131	366,110
Due in More than One Year	1,626,899	1,900,582	823,795	869,749	2,450,694	2,770,331
<i>Total Liabilities</i>	2,823,485	3,095,511	906,459	966,707	3,729,944	4,062,218
Net Assets						
Invested in Capital Assets, Net of Related Debt	2,852,618	2,351,918	1,813,835	1,781,027	4,666,453	4,132,945
Restricted:						
Capital Projects	575,458	881,753	0	0	575,458	881,753
Debt Service	55,489	61,072	0	0	55,489	61,072
Street Maintenance and Repair	317,557	290,310	0	0	317,557	290,310
Fire Department	111,913	91,572	0	0	111,913	91,572
EMS	159,810	167,924	0	0	159,810	167,924
Other Purposes	77,364	68,007	0	0	77,364	68,007
Unrestricted	1,012,766	880,136	1,409,598	1,268,690	2,422,364	2,148,826
<i>Total Net Assets</i>	\$5,162,975	\$4,792,692	\$3,223,433	\$3,049,717	\$8,386,408	\$7,842,409

Total assets increased by \$211,725 from 2002 to 2003 mainly from additions to capital assets exceeding depreciation.

Total liabilities decreased by \$332,274, mainly due to a decrease in the long-term debt obligations as the principal is paid down and no new debt has been acquired. Other current liabilities were also lower.

City of Munroe Falls, Ohio
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Total net assets increased \$543,999 with governmental net assets comprising \$370,283 and business-type activities comprising \$173,716 of that amount. The water fund increase in net assets is due to a reduction in short and long-term liabilities as well as an increase in cash and cash equivalents.

Table 2 shows the changes in net assets for the year ended December 31, 2003. Since this is the first year the City has prepared financial statements implementing GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activity <u>2003</u>	Total <u>2003</u>
Revenues			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$202,327	\$829,118	\$1,031,445
Operating Grants and Contributions	612,036	0	612,036
Capital Grants	25,185	57,520	82,705
<i>Total Program Revenue Revenues</i>	<u>839,548</u>	<u>886,638</u>	<u>1,726,186</u>
<i>General Revenues:</i>			
Property Taxes	712,871	0	712,871
Income Tax	1,192,526	0	1,192,526
Grants and Entitlements not Restricted to Specific Programs	102,611	0	102,611
Gain on Sale of Capital Asset	5,199	0	5,199
Interest	36,787	0	36,787
Other	59,067	576	59,643
<i>Total General Revenues</i>	<u>2,109,061</u>	<u>576</u>	<u>2,109,637</u>
Total Revenues	<u>2,948,609</u>	<u>887,214</u>	<u>3,835,823</u>
Expenses			
<i>Program Expenses:</i>			
General Government	705,785	0	705,785
Security of Persons and Property	1,340,891	0	1,340,891
Transportation	387,799	0	387,799
Public Health and Welfare	35,362	0	35,362
Leisure Time Activities	41,606	0	41,606
Water Operations	0	713,498	713,498
Interest and Fiscal Charges	66,883	0	66,883
Total Expenses	<u>2,578,326</u>	<u>713,498</u>	<u>3,291,824</u>
Increase in Net Assets	370,283	173,716	543,999
Net Assets Beginning of Year - Restated (See Note 4)	4,792,692	3,049,717	7,842,409
Net Assets End of Year	<u>\$5,162,975</u>	<u>\$3,223,433</u>	<u>\$8,386,408</u>

City of Munroe Falls, Ohio
Management's Discussion and Analysis
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Governmental Activities

The overall financial strength of the City is stabilizing despite the recent economic concerns throughout the City and the country as a whole.

Several revenue sources fund the City's governmental activities with City income tax being the largest contribution. An income tax of 2 percent is levied on substantially all income earned within the City. In addition, income of residents earned outside of the City are subject to income tax; however, credit is allowed for income taxes paid to other municipalities and Joint Economic Development District up to 100 percent of the City's current tax rate. The income tax revenue amount for 2003 was \$1,192,526.

The City has made aggressive efforts at reducing costs and continues to do so. Cash reserves are maintained to allow for these slowing income tax revenues. This will provide an assurance to the residents of our community that the City will continue to maintain the highest level of public safety, recreation and street and water infrastructures. The City monitors its sources of revenue very closely for any changes or fluctuations.

City income tax revenues of \$1,192,526 were distributed to the following funds by the council approved ordinance: General Fund (88 percent) and the Capital Improvement Capital Projects Fund (12 percent).

The City is embarking on an aggressive economic development effort for the limited land that is available. Primary emphasis is in the Town Center and the Route 91 corridor where there is opportunity to capitalize on the natural beauty of the Cuyahoga River.

Total governmental activities revenues for 2003 were \$2,948,609. Income tax made up 40.44 percent of total revenues for governmental activities for the City. Charges for services accounted for 6.86 percent, operating grants and contributions accounted for 20.76 percent, property taxes accounted for 24.18 percent, and the remaining 7.76 percent consisted of capital grants and contributions, grants and entitlements, investments, miscellaneous revenues and a gain on the sale of capital assets. Charges for services represents receipts from such items as cable franchise fees, building and zoning permits, emergency rescue fees and rental fees.

Total governmental activities expenses for 2003 were \$2,578,326. Security of persons and property represents the highest program expense at \$1,340,891 or 52.01 percent, followed by general government expenses at \$705,785 or 27.37 percent and transportation expenses at \$387,799 or 15.04 percent. These three, being the major City expense categories, cover the City's police and fire departments, general administration and street repair and maintenance operations. Public health and welfare, leisure time activities, and interest and fiscal charges make up the remaining 5.58 percent of expenses.

The Police Department continues to operate very efficiently utilizing full and part time personnel. The Police Department is funded primarily from revenues generated through the general fund. The fire department is primarily a volunteer force and works from two fire stations. Operations are funded through a fire levy and rescue billing collections. Capital needs for police and fire come from the City's Capital Improvement Fund.

General government costs of \$705,785 or 27.37 percent of the 2003 program expenses include such services as leisure time activities, planning, zoning, administration, finance, legal, legislature, lands and buildings, engineering and state auditing.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
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Table 3 presents a summary for governmental and business-type activities, the total cost of services and the net cost of providing these services. Comparison to 2002 has not been made since they are not available.

Table 3
Cost of Services

	Governmental Activities		Business-Type Activity		Total	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2003	2003	2003	2003	2003	2003
General Government	\$705,785	(\$464,097)	\$0	\$0	\$705,785	(\$464,097)
Security of Persons and Property	1,340,891	(1,045,150)	0	0	1,340,891	(1,045,150)
Transportation	387,799	(85,680)	0	0	387,799	(85,680)
Public Health Services	35,362	(35,362)	0	0	35,362	(35,362)
Leisure Time Activities	41,606	(41,606)	0	0	41,606	(41,606)
Water Operations	0	0	713,498	173,140	713,498	173,140
Interest and Fiscal Charges	66,883	(66,883)	0	0	66,883	(66,883)
<i>Total Cost of Services</i>	<u>\$2,578,326</u>	<u>(\$1,738,778)</u>	<u>\$713,498</u>	<u>\$173,140</u>	<u>\$3,291,824</u>	<u>(\$1,565,638)</u>

The only department that received enough revenues to cover their operations for the year was the water business-type fund. All other departments rely on the property taxes and income taxes that are part of the general revenues of the City to cover their yearly expenses.

The City's Funds

The City of Munroe Falls 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

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,768,390 and expenditures of \$3,089,443. The most significant fund is the general fund with a year-end balance of \$711,164, which included an unreserved fund balance of \$700,574, compared to annual expenditures of \$1,736,773. The City focuses on its governmental funds in order to paint a financial picture on activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2003. The information provided is useful to determine the City's spendable balances. One balance in particular that the City has focused on maintaining is the unreserved fund balances that demonstrate the City's cash reserves. At December 31, 2003 the City's combined ending cash and cash equivalents balance was \$1,810,159. Along those same lines, the City's 2003 ending

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

combined governmental fund balance is \$2,038,277. Of this balance, \$2,026,851 is classified as unreserved fund balances. The reserved portions of fund balance are not spendable because they are committed to satisfy carry-forward purchase order encumbrances of \$11,426.

Business-Type Fund

As mentioned earlier, the City's lone business-type activity is the water fund. Total assets increased by \$113,468, or 2.83 percent, from 2002 to 2003, while total liabilities decreased by \$60,248, or 6.23 percent, from 2002 to 2003. Ending net assets increased 5.70 percent from \$3,049,717 in 2002 to \$3,223,433 in 2003.

The City is in the process of identifying the long-term maintenance and replacement needs of its water line infrastructure and other capital assets requirements. This will coincide with the measurement process required by GASB Statement No. 34.

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. The most significant budgeted fund is the general fund. At the direction of Council, all capital projects and requests for capital type purchases must be reviewed and approved individually by Council. Recommendations and requests for budget changes are referred to the Finance Committee of City Council for review, after which they are sent to the formal Council meeting for ordinance enactment on the change. The City's legal level of control is at the fund, function and object level. These object level categories are personal services, travel and professional meetings, contractual services, material and supplies, and capital outlay.

The general fund supports many major activities such as the police department, building and planning departments as well as the legislative and most executive activities. Some major capital projects are funded with general fund dollars. By Ordinance, these funds are transferred from the general fund to capital projects funds where the revenue and expenditures for the capital improvement are tracked and monitored. During the course of 2003, the City amended its general fund budget several times for a total increase in estimated revenues of \$131,428, from \$1,774,784 to \$1,906,212. The majority of this difference is due to an increase in the estimate for income tax revenue. The variance from final budget to actual expenditures in general government, security of persons and property and transportation was due to a concerted effort by the City to reduce expenditures. There were several staffing adjustments as well as reductions throughout City departments.

City of Munroe Falls, Ohio
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Capital Assets and Debt Administration

Capital Assets

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activity		Total	
	2003	2002	2003	2002	2003	2002
Land	\$232,060	\$232,060	\$17,000	\$17,000	\$249,060	\$249,060
Land Improvements	196,355	206,248	0	0	196,355	206,248
Buildings and Improvements	3,303,814	3,384,675	592,854	609,758	3,896,668	3,994,433
Equipment	589,331	592,060	305,403	267,817	894,734	859,877
Infrastructure	338,109	0	0	0	338,109	0
Waterlines	0	0	1,670,618	1,715,335	1,670,618	1,715,335
Totals	\$4,659,669	\$4,415,043	\$2,585,875	\$2,609,910	\$7,245,544	\$7,024,953

Total governmental capital assets for the City of Munroe Falls as of December 31, 2003 were \$4,659,669. The most significant change in capital assets resulted from the addition of infrastructure in 2003. For additional information see Note 8 to the basic financial statements.

Debt

On December 31, 2003, the City of Munroe Falls had \$2,676,800 in an EMS vehicle note and general obligation bonds outstanding. Of this, \$2,640,000 represents obligations backed by the full faith and credit of the government. Table 5 summarizes bonds and loans outstanding as of December 31, 2003.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activity		Total	
	2003	2002	2003	2002	2003	2002
EMS Vehicle Note	\$36,800	\$73,600	\$0	\$0	\$36,800	\$73,600
General Obligation Bonds	1,770,251	1,989,525	869,749	935,475	2,640,000	2,925,000
Totals	\$1,807,051	\$2,063,125	\$869,749	\$935,475	\$2,676,800	\$2,998,600

The EMS vehicle note represents a note obtained to finance an emergency medical ambulance. This loan will be paid down in 2004.

The general obligation bonds were for the City Hall and Safety Building Expansion and Water Improvements and are paid from property tax levies and the Water Fund.

For additional information see Note 13 to the basic financial statements.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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Current Financial Related Activities

The City of Munroe Falls had been challenged over the past several years with slowing revenue growth as a result of limited industrial, commercial and residential development and a slowing economy. The City Council endeavors to keep debt obligations low. We plan finances so that we can pay cash for as many of the facility improvements and acquisitions as possible without jeopardizing liquidity and reserve balance needs. Our leadership is committed to reducing the cost of government operations while still providing the services the citizens need. Efforts are made to enhance the revenue side of the equation as well.

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

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information contact the Director of Finance, David P. Bailey, CPA, 43 Munroe Falls Avenue, Munroe Falls, Ohio 44262, telephone (330) 688-7491, or the website at www.munroefalls.com.

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City of Munroe Falls, Ohio

Statement of Net Assets

December 31, 2003

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,810,159	\$1,216,815	\$3,026,974
Accrued Interest Receivable	2,268	0	2,268
Accounts Receivable	6,732	220,539	227,271
Intergovernmental Receivable	366,969	0	366,969
Prepaid Items	8,619	8,954	17,573
Deferred Charges	0	97,709	97,709
Income Taxes Receivable	330,130	0	330,130
Property Taxes Receivable	784,910	0	784,910
Permissive Motor Vehicle License Tax Receivable	17,004	0	17,004
Nondepreciable Capital Assets	232,060	17,000	249,060
Depreciable Capital Assets, Net	4,427,609	2,568,875	6,996,484
<i>Total Assets</i>	<u>7,986,460</u>	<u>4,129,892</u>	<u>12,116,352</u>
Liabilities			
Accounts Payable	9,334	0	9,334
Accrued Wages	54,201	6,999	61,200
Intergovernmental Payable	67,565	5,735	73,300
Accrued Interest Payable	5,316	2,701	8,017
Deferred Revenue	760,268	0	760,268
Long-Term Liabilities:			
Due Within One Year	299,902	67,229	367,131
Due In More Than One Year	1,626,899	823,795	2,450,694
<i>Total Liabilities</i>	<u>2,823,485</u>	<u>906,459</u>	<u>3,729,944</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,852,618	1,813,835	4,666,453
Restricted for:			
Capital Projects	575,458	0	575,458
Debt Service	55,489	0	55,489
Street Maintenance and Repair	317,557	0	317,557
Fire Department	111,913	0	111,913
EMS	159,810	0	159,810
Other Purposes	77,364	0	77,364
Unrestricted	1,012,766	1,409,598	2,422,364
<i>Total Net Assets</i>	<u>\$5,162,975</u>	<u>\$3,223,433</u>	<u>\$8,386,408</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government	\$705,785	\$50,780	\$190,908	\$0
Security of Persons and Property	1,340,891	44,919	250,822	0
Transportation	387,799	106,628	170,306	25,185
Public Health and Welfare	35,362	0	0	0
Leisure Time Activities	41,606	0	0	0
Interest and Fiscal Charges	66,883	0	0	0
<i>Total Governmental Activities</i>	2,578,326	202,327	612,036	25,185
Business-Type Activity:				
Water	713,498	829,118	0	57,520
<i>Total - Primary Government</i>	<u>\$3,291,824</u>	<u>\$1,031,445</u>	<u>\$612,036</u>	<u>\$82,705</u>

General Revenues

Property Taxes Levied for
 General Purposes
 Fire Department
 EMS
 General Obligation Bond Retirement
Income Tax Levied for:
 General Purposes
 Capital Outlay
Grants and Entitlements not Restricted to Specific Programs
Gain on Sale of Capital Asset
Interest
Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - See Note 4

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$464,097)	\$0	(\$464,097)
(1,045,150)	0	(1,045,150)
(85,680)	0	(85,680)
(35,362)	0	(35,362)
(41,606)	0	(41,606)
(66,883)	0	(66,883)
(1,738,778)	0	(1,738,778)
0	173,140	173,140
(1,738,778)	173,140	(1,565,638)
234,216	0	234,216
135,801	0	135,801
146,575	0	146,575
196,279	0	196,279
1,105,031	0	1,105,031
87,495	0	87,495
102,611	0	102,611
5,199	0	5,199
36,787	0	36,787
59,067	576	59,643
2,109,061	576	2,109,637
370,283	173,716	543,999
4,792,692	3,049,717	7,842,409
\$5,162,975	\$3,223,433	\$8,386,408

City of Munroe Falls, Ohio

Balance Sheet

Governmental Funds

December 31, 2003

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement
Assets					
Equity in Pooled Cash and Cash Equivalents	\$568,896	\$97,952	\$141,649	\$23,706	\$474,227
Accrued Interest Receivable	2,268	0	0	0	0
Accounts Receivable	6,732	0	0	0	0
Intergovernmental Receivable	191,877	19,266	25,189	29,969	0
Prepaid Items	8,619	0	0	0	0
Income Taxes Receivable	290,514	0	0	0	39,616
Property Taxes Receivable	239,124	149,679	169,281	226,826	0
Permissive Motor Vehicle License Tax Receivable	0	0	0	0	0
<i>Total Assets</i>	<u>\$1,308,030</u>	<u>\$266,897</u>	<u>\$336,119</u>	<u>\$280,501</u>	<u>\$513,843</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$9,334	\$0	\$0	\$0	\$0
Accrued Wages	37,589	4,227	6,685	0	0
Intergovernmental Payable	7,501	1,109	1,754	0	0
Deferred Revenue	542,442	158,945	176,470	231,795	24,024
<i>Total Liabilities</i>	<u>596,866</u>	<u>164,281</u>	<u>184,909</u>	<u>231,795</u>	<u>24,024</u>
Fund Balances					
Reserved for Encumbrances	10,590	0	136	0	0
Unreserved, Undesignated, Reported in:					
General Fund	700,574	0	0	0	0
Special Revenue Funds	0	102,616	151,074	0	0
Debt Service Funds	0	0	0	48,706	0
Capital Projects Funds	0	0	0	0	489,819
<i>Total Fund Balances</i>	<u>711,164</u>	<u>102,616</u>	<u>151,210</u>	<u>48,706</u>	<u>489,819</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,308,030</u>	<u>\$266,897</u>	<u>\$336,119</u>	<u>\$280,501</u>	<u>\$513,843</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$2,038,277
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,659,669
\$503,729	\$1,810,159	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
0	2,268	Property Taxes	(25,358)
0	6,732	Income Taxes	200,200
100,668	366,969	Grants	278,469
0	8,619		
0	330,130		
0	784,910		
17,004	17,004	Total	453,311
\$621,401	\$3,326,791	Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(56,165)
\$0	\$9,334	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(5,316)
5,700	54,201	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
1,036	11,400	General Obligation Bonds	(1,770,251)
79,903	1,213,579	EMS Vehicle Note	(36,800)
86,639	1,288,514	Compensated Absences	(119,750)
700	11,426		
0	700,574	Total	(1,926,801)
472,447	726,137	<i>Net Assets of Governmental Activities</i>	\$5,162,975
0	48,706		
61,615	551,434		
534,762	2,038,277		
\$621,401	\$3,326,791		

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement
Revenues					
Property Taxes	\$232,594	\$144,787	\$160,426	\$219,738	\$0
Income Taxes	1,021,066	0	0	0	63,471
Permissive Motor Vehicle License Tax	0	0	0	0	0
Special Assessments	0	0	0	0	0
Intergovernmental	329,196	8,869	15,050	13,405	64,404
Interest	33,978	0	0	0	0
Fines, Licenses and Permits	53,116	0	0	0	0
Charges for Services	14,752	0	5,125	0	0
Contributions and Donations	325	0	0	0	300
Other	23,727	0	2,675	0	31,088
<i>Total Revenues</i>	<u>1,708,754</u>	<u>153,656</u>	<u>183,276</u>	<u>233,143</u>	<u>159,263</u>
Expenditures					
Current:					
General Government	643,721	2,013	2,276	3,041	0
Security of Persons and Property	857,643	140,682	157,108	0	0
Transportation	174,901	0	0	0	0
Public Health and Welfare	35,362	0	0	0	0
Leisure Time Activities	25,146	0	0	0	0
Capital Outlay	0	0	0	0	305,091
Debt Service:					
Principal Retirement	0	0	36,800	219,274	0
Interest and Fiscal Charges	0	0	2,899	65,037	0
<i>Total Expenditures</i>	<u>1,736,773</u>	<u>142,695</u>	<u>199,083</u>	<u>287,352</u>	<u>305,091</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(28,019)</u>	<u>10,961</u>	<u>(15,807)</u>	<u>(54,209)</u>	<u>(145,828)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	4,214	0	0	0	730
Transfers In	6,063	0	0	47,126	0
Transfers Out	0	0	0	0	(47,126)
<i>Total Other Financing Sources (Uses)</i>	<u>10,277</u>	<u>0</u>	<u>0</u>	<u>47,126</u>	<u>(46,396)</u>
<i>Net Change in Fund Balances</i>	<u>(17,742)</u>	<u>10,961</u>	<u>(15,807)</u>	<u>(7,083)</u>	<u>(192,224)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 4)</i>	<u>728,906</u>	<u>91,655</u>	<u>167,017</u>	<u>55,789</u>	<u>682,043</u>
<i>Fund Balances End of Year</i>	<u><u>\$711,164</u></u>	<u><u>\$102,616</u></u>	<u><u>\$151,210</u></u>	<u><u>\$48,706</u></u>	<u><u>\$489,819</u></u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2003*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$315,854)
		<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 exceeded depreciation in the current period.	
\$0	\$757,545	Capital Asset Additions	475,529
0	1,084,537	Current Year Depreciation	<u>(230,903)</u>
92,814	92,814	Total	244,626
4,718	4,718		
201,311	632,235	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
2,809	36,787	Property Taxes	(44,674)
1,250	54,366	Income Taxes	107,989
21,900	41,777	Permissive Motor Vehicle License Tax	8,652
3,919	4,544	Grants	<u>103,053</u>
1,577	59,067	Total	175,020
<u>330,298</u>	<u>2,768,390</u>	Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	256,074
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,053
1,849	652,900	Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
63,679	1,219,112	Compensated Absences	11,312
249,627	424,528	Pension Obligation	<u>(1,948)</u>
0	35,362	Total	<u>9,364</u>
0	25,146	<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$370,283</u></u>
103,294	408,385		
0	256,074		
0	67,936		
<u>418,449</u>	<u>3,089,443</u>		
(88,151)	(321,053)		
255	5,199		
0	53,189		
(6,063)	(53,189)		
(5,808)	5,199		
(93,959)	(315,854)		
<u>628,721</u>	<u>2,354,131</u>		
<u>\$534,762</u>	<u>\$2,038,277</u>		

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$232,105	\$232,105	\$232,594	\$489
Income Taxes	1,000,000	1,150,000	1,031,223	(118,777)
Intergovernmental	300,941	282,369	329,459	47,090
Interest	62,015	62,015	32,788	(29,227)
Fines, Licenses and Permits	113,702	113,702	60,115	(53,587)
Charges for Services	15,169	15,169	8,020	(7,149)
Contributions and Donations	615	615	325	(290)
Other	50,237	50,237	26,562	(23,675)
<i>Total Revenues</i>	<u>1,774,784</u>	<u>1,906,212</u>	<u>1,721,086</u>	<u>(185,126)</u>
Expenditures				
Current:				
General Government	749,188	757,188	642,979	114,209
Security of Persons and Property	984,817	989,416	881,729	107,687
Transportation	229,011	229,010	173,402	55,608
Public Health and Welfare	35,375	35,375	35,362	13
Leisure Time Activities	28,560	28,560	25,544	3,016
<i>Total Expenditures</i>	<u>2,026,951</u>	<u>2,039,549</u>	<u>1,759,016</u>	<u>280,533</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(252,167)</u>	<u>(133,337)</u>	<u>(37,930)</u>	<u>95,407</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	4,214	4,214
Transfers In	0	0	6,063	6,063
Transfers Out	(82,003)	(143,787)	0	143,787
<i>Total Other Financing Sources (Uses)</i>	<u>(82,003)</u>	<u>(143,787)</u>	<u>10,277</u>	<u>154,064</u>
<i>Net Change in Fund Balance</i>	(334,170)	(277,124)	(27,653)	249,471
<i>Fund Balance Beginning of Year</i>	549,403	549,403	549,403	0
Prior Year Encumbrances Appropriated	36,456	36,456	36,456	0
<i>Fund Balance End of Year</i>	<u>\$251,689</u>	<u>\$308,735</u>	<u>\$558,206</u>	<u>\$249,471</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Department Special Levy Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$145,066	\$145,066	\$145,371	\$305
Intergovernmental	19,236	19,236	18,798	(438)
<i>Total Revenues</i>	164,302	164,302	164,169	(133)
Expenditures				
Current:				
General Government	2,200	2,200	2,013	187
Security of Persons and Property	148,514	148,514	139,404	9,110
<i>Total Expenditures</i>	150,714	150,714	141,417	9,297
<i>Net Change in Fund Balance</i>	13,588	13,588	22,752	9,164
<i>Fund Balance Beginning of Year</i>	75,200	75,200	75,200	0
<i>Fund Balance End of Year</i>	\$88,788	\$88,788	\$97,952	\$9,164

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
EMS Special Levy Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$164,408	\$164,408	\$164,754	\$346
Intergovernmental	21,801	21,801	23,304	1,503
Charges for Services	0	0	5,125	5,125
Other	0	0	2,675	2,675
<i>Total Revenues</i>	186,209	186,209	195,858	9,649
Expenditures				
Current:				
General Government	2,400	2,400	2,276	124
Security of Persons and Property	193,955	193,955	154,941	39,014
Debt Service:				
Principal Retirement	36,800	36,800	36,800	0
Interest and Fiscal Charges	3,650	3,650	2,899	751
<i>Total Expenditures</i>	236,805	236,805	196,916	39,889
<i>Net Change in Fund Balance</i>	(50,596)	(50,596)	(1,058)	49,538
<i>Fund Balance Beginning of Year</i>	139,811	139,811	139,811	0
Prior Year Encumbrances Appropriated	2,760	2,760	2,760	0
<i>Fund Balance End of Year</i>	\$91,975	\$91,975	\$141,513	\$49,538

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio

Statement of Fund Net Assets

Proprietary Fund

December 31, 2003

	<u>Water</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,216,815
Accounts Receivable	220,539
Prepaid Items	8,954
	<u>1,446,308</u>
<i>Total Current Assets</i>	
<i>Non-Current Assets:</i>	
Deferred Charges	97,709
Land	17,000
Depreciable Capital Assets, Net	2,568,875
	<u>2,683,584</u>
<i>Total Non-Current Assets</i>	
<i>Total Assets</i>	<u>4,129,892</u>
Liabilities	
<i>Current Liabilities:</i>	
Accrued Wages	6,999
Intergovernmental Payable	5,735
Compensated Absences Payable	5,892
Accrued Interest Payable	2,701
General Obligation Bonds Payable	61,337
	<u>82,664</u>
<i>Total Current Liabilities</i>	
<i>Long-Term Liabilities:</i>	
Compensated Absences Payable (net of current portion)	15,383
General Obligation Bonds Payable (net of current portion)	808,412
	<u>823,795</u>
<i>Total Long-Term Liabilities</i>	
<i>Total Liabilities</i>	<u>906,459</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,813,835
Unrestricted	1,409,598
	<u>3,223,433</u>
<i>Total Net Assets</i>	<u><u>\$3,223,433</u></u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2003*

	Water
Operating Revenues	
Charges for Services	\$829,118
Other	576
	829,694
<i>Total Operating Revenues</i>	<i>829,694</i>
Operating Expenses	
Personal Services	152,865
Contractual Services	385,911
Materials and Supplies	22,176
Depreciation	106,724
	667,676
<i>Total Operating Expenses</i>	<i>667,676</i>
<i>Operating Income</i>	<i>162,018</i>
Non-Operating Revenues (Expenses)	
Capital Grants	57,520
Interest and Fiscal Charges	(45,822)
	11,698
<i>Total Non-Operating Revenues (Expenses)</i>	<i>11,698</i>
<i>Change in Net Assets</i>	<i>173,716</i>
<i>Net Assets Beginning of Year - Restated (See Note 4)</i>	<i>3,049,717</i>
<i>Net Assets End of Year</i>	<i>\$3,223,433</i>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2003

	Water
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$816,941
Other Cash Receipts	952
Cash Payments to Employees for Services	(139,804)
Cash Payments for Goods and Services	(409,446)
<i>Net Cash Provided by Operating Activities</i>	268,643
Cash Flows from Capital and Related Financing Activities	
Cash Received from Capital Grants	57,520
Principal Paid on General Obligation Bonds	(65,726)
Interest Paid on General Obligation Bonds	(34,238)
Payments for Capital Acquisitions	(82,689)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(125,133)
<i>Net Increase in Cash and Cash Equivalents</i>	143,510
<i>Cash and Cash Equivalents Beginning of Year</i>	1,073,305
<i>Cash and Cash Equivalents End of Year</i>	\$1,216,815

(continued)

City of Munroe Falls, Ohio
Statement of Cash Flows
Proprietary Fund (continued)
For the Year Ended December 31, 2003

	<u>Water</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$162,018
Adjustments:	
Depreciation	106,724
(Increase) Decrease in Assets:	
Accounts Receivable	(12,177)
Prepaid Items	8,141
Accrued Interest Receivable	376
Materials and Supplies Inventory	784
Increase (Decrease) in Liabilities:	
Accounts Payable	(10,284)
Accrued Wages	(7,170)
Compensated Absences Payable	14,496
Intergovernmental Payable	<u>5,735</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$268,643</u></u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets

Equity Pooled in Cash and Cash Equivalents	<u><u>\$131,107</u></u>
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Liabilities

Undistributed Monies	<u><u>\$131,107</u></u>
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See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 1 – Description of the City and Reporting Entity

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

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

Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

B. Fund Accounting

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

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

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

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

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

General Obligation Bond Retirement Fund The general obligation bond retirement debt service fund accounts for unvoted general obligation long-term debt.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

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

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

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

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

C. Measurement Focus

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

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

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

D. Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

E. Cash and Cash Equivalents

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

During fiscal year 2003, investments were limited to STAROhio, certificates of deposit and U.S. Treasury Notes.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2003.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amounted to \$33,978, which includes \$25,962 assigned from other City funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

G. Inventory

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

H. Capital Assets

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activity Estimated Lives</u>
Buildings and Improvements	25 years	20-50 years
Land Improvements	25 years	25 years
Equipment	5-25 years	2-25 years
Infrastructure	40-50 years	40 years

The City's infrastructure consists of street paving, sidewalks, curbs and culverts. For 2003, the City reported infrastructure used in governmental activities for the first time. The City only reported the amounts acquired during 2003. The City plans to present the prior year amounts in future years.

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-term Obligations

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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

L. Fund Balance Reserve

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes includes funds for federal emergency grant programs, drug law enforcement, police law enforcement, enforcement and education programs, and fire prevention and awareness programs.

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

N. Operating Revenues and Expenses

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

O. Interfund Activity

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

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

P. Extraordinary and Special Items

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Q. 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.

R. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund, function, and object level for all funds.

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 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. The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Note 3 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund, the fire department special levy and the EMS special levy major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

4. Investments reported at fair value (GAAP) rather than cost (budget).

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

	Net Change in Fund Balance		
	General and Major Special Revenue Funds		
	General	Fire Department Special Levy	EMS Special Levy
GAAP Basis	(\$17,742)	\$10,961	(\$15,807)
Adjustment for Revenue Accruals	11,630	10,513	12,582
Ending Fair Value Adjustment for Investments	702	0	0
Adjustment for Expenditure Accruals	(10,851)	1,278	2,303
Adjustment for Encumbrances	(11,392)	0	(136)
Budget Basis	<u>(\$27,653)</u>	<u>\$22,752</u>	<u>(\$1,058)</u>

Note 4 – Changes in Accounting Principles and Fund Balances

Changes in Accounting Principles For 2003, the City has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs between business-type and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Restatement of Prior Year Fund Balance The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. In addition, both accrued wages payable and accrued interest payable were overstated for fiscal year 2002. Accrued wages payable was overstated in error due to the pension liability being booked as a fund liability when it was paid outside the available period and should have been booked as a long-term liability. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Fire Department Special Levy	EMS Special Levy	General Obligation Bond Retirement	Capital Improvement	Nonmajor	Total
Fund Balances December 31, 2002	\$652,563	\$87,895	\$162,837	\$55,789	\$712,148	\$622,313	\$2,293,545
Fund Reclassification	35,554	0	0	0	(35,554)	0	0
Accrued Wages Payable	40,789	3,760	3,260	0	0	6,408	54,217
Accrued Interest Payable	0	0	920	0	5,449	0	6,369
Adjusted Fund Balance, December 31, 2002	<u>\$728,906</u>	<u>\$91,655</u>	<u>\$167,017</u>	<u>\$55,789</u>	<u>\$682,043</u>	<u>\$628,721</u>	2,354,131
GASB 34 Adjustments:							
Capital Assets							4,415,043
Long-Term Liabilities:							
Compensated Absences Payable							(131,062)
General Obligation Bond Payable							(1,989,525)
EMS Vehicle Loan Payable							(73,600)
Accrued Interest Payable							(6,369)
Pension Obligation							(54,217)
Long-Term (Deferred) Assets							<u>278,291</u>
Governmental Activities Net Assets, December 31, 2002							<u>\$4,792,692</u>

Fund equity in the business-type activity increased by \$250,976 from \$2,798,741 to \$3,049,717 due to the restatements of \$257,755 for the omission of certain capital assets in prior years and \$6,779 for compensated absences. The effect on prior year net income is not determinable.

	Business-Type Activity - Water
Fund Equity, December 31, 2002	\$2,798,741
Capital Asset Adjustment	257,755
Compensated Absences Payable	<u>(6,779)</u>
Adjusted Net Assets, December 31, 2002	<u>\$3,049,717</u>

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 5 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the 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.

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

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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 not 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Cash on Hand At year end, the City had \$1,925 in petty cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits. At year-end, the carrying amount of the City's deposits was \$889,764 and the bank balance was \$680,981. \$181,528 of the bank balance was covered by federal depository insurance. \$499,453 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments. The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
U.S. Treasury Notes	\$500,204	\$500,204	\$500,204
STAROhio		1,766,188	1,766,188
Total	\$500,204	\$2,266,392	\$2,266,392

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and cash and investments of the cash management pool.

A reconciliation between the classification of cash and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$3,158,081	\$0
U.S. Treasury Notes	(500,204)	500,204
STAROhio	(1,766,188)	1,766,188
Cash on Hand	(1,925)	0
GASB Statement 3	\$889,764	\$2,266,392

Note 6 - Receivables

Receivables at December 31, 2003, consisted primarily of municipal income taxes, property and other taxes, accounts, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes which became a lien December 31, 2002, are levied after October 1, 2003, and collected in 2004 real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002 on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The tax rate for all City operations for the year ended December 31, 2003, was \$7.86 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	\$104,259,160
Tangible Personal Property	4,211,494
Public Utility	1,497,320
Total Valuation	\$109,967,974

City of Munroe Falls, Ohio
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For the Year Ended December 31, 2003

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Munroe Falls. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003 and for which there is an enforceable legal claim. In the general, fire department special levy, EMS special levy and general obligation bond retirement funds the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

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

Additional increases in the City's income tax rate would require voter approval. The income tax, by ordinance, is allocated, after expenditures for collections, at 88 percent to the General Fund and 12 percent to the Capital Improvements Fund.

C. Intergovernmental Receivable

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

Governmental Activities	
Local Government Tax Distribution	\$160,147
Gas Tax Distribution	83,626
Homestead and Rollback	98,932
Grants	20,042
Personal Property Tax Exemption	3,679
Miscellaneous	543
Total	<u><u>\$366,969</u></u>

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 7 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, the City contracted with Select Insurance Group for its property and liability insurance. Wichert Insurance Services, Inc. serves as the City's agent.

The City carries insurance for general liability, auto liability and law enforcement liability with limits of \$5,000,000 per occurrence. The City also carries \$5,000,000 of public officials liability coverage. Public officials have a deductible of \$10,000. The law enforcement deductible is \$5,000, and the equipment, inland marine, and crime deductibles are all \$500. Auto liability has a \$1,000,000 combined single limit of liability with a \$500 collision deductible. No claims have ever exceeded these limits.

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

Note 8 – Capital Assets

Capital Assets for Governmental Activities were increased by \$317,752 due to the omission of certain capital assets in the prior years. Capital asset activity for the year ended December 31, 2003, was as follows:

	Adjusted Balance 12/31/2002	Additions	Deductions	Balance 12/31/2003
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$232,060	\$0	\$0	\$232,060
<i>Capital Assets, being depreciated</i>				
Land Improvements	247,338	0	0	247,338
Buildings and Improvements	3,922,861	0	0	3,922,861
Equipment	1,694,605	137,420	(37,496)	1,794,529
Infrastructure	0	338,109	0	338,109
<i>Total Capital Assets, being depreciated</i>	<u>5,864,804</u>	<u>475,529</u>	<u>(37,496)</u>	<u>6,302,837</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(41,090)	(9,893)	0	(50,983)
Buildings and Improvements	(538,186)	(80,861)	0	(619,047)
Equipment	(1,102,545)	(140,149)	37,496	(1,205,198)
<i>Total Accumulated Depreciation</i>	<u>(1,681,821)</u>	<u>(230,903) *</u>	<u>37,496</u>	<u>(1,875,228)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>4,182,983</u>	<u>244,626</u>	<u>0</u>	<u>4,427,609</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$4,415,043</u>	<u>\$244,626</u>	<u>\$0</u>	<u>\$4,659,669</u>

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Adjusted Balance 12/31/2002	Additions	Deductions	Balance 12/31/2003
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$17,000	\$0	\$0	\$17,000
<i>Capital Assets, being depreciated</i>				
Buildings	845,221	0	0	845,221
Equipment	386,983	82,689	0	469,672
Waterlines	2,046,569	0	0	2,046,569
<i>Total Capital Assets, being depreciated</i>	<u>3,278,773</u>	<u>82,689</u>	<u>0</u>	<u>3,361,462</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(235,463)	(16,904)	0	(252,367)
Equipment	(119,166)	(45,103)	0	(164,269)
Waterlines	(331,234)	(44,717)	0	(375,951)
<i>Total Accumulated Depreciation</i>	<u>(685,863)</u>	<u>(106,724)</u>	<u>0</u>	<u>(792,587)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>2,592,910</u>	<u>(24,035)</u>	<u>0</u>	<u>2,568,875</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$2,609,910</u>	<u>(\$24,035)</u>	<u>\$0</u>	<u>\$2,585,875</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$46,109
Security of Persons and Property	113,045
Transportation	59,940
Leisure Time Activities	11,809
Total Depreciation Expense	<u>\$230,903</u>

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System (OPERS)

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$50,977, \$99,720, and \$81,479 respectively; 96.34 percent has been contributed for 2003 and 100 percent for 2002 and 2001. There were no contributions to the member-directed plan for 2003 by the City or by the plan members.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$65,398 and \$38,265 for the year ended December 31, 2003, \$79,624, and \$18,375 for the year ended December 31, 2002 and \$74,265 and \$17,138 for the year ended December 31, 2001 equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 94.90 percent and 95.31 percent, respectively, have been contributed for 2003 with the remainder being reported as a liability.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$29,811. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$43,135 for police and \$18,250 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

Note 11 – Other Employee Benefits

A. Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service. Current policy credits vacation leave on January 1 of each year for all full time employees. Unused vacation for all full time employees, except full time patrolmen and police sergeants, is cumulative and may not exceed 200 hours. Full time patrolmen and the police sergeants have no limit of unused vacation which may be accumulated due to their contracted positions. In the event of a termination of employment, death, or retirement, employees (or their estates) are paid for unused vacation leave.

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

B. Insurance

The City provides health and life insurance to its employees through Medical Mutual. Employees have the option to opt out of the health program and receive a 25 percent premium payout, saving the City 75 percent of premium costs.

Note 12 – Contingencies

A. Grants

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

B. Litigation

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2003.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

C. Environmental Issues

In prior years, the City received some donated property which may require environmental remediation. As of the date of these financial statements, management has not assessed the potential dollar amount that the environmental remediation, if any, would require.

Note 13 - Long-Term Obligations

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

	Balance 12/31/2002	Issued	Retired	Balance 12/31/2003	Amounts Due In One Year
Governmental Activities					
General Obligation Refunding Bond - Series A	\$1,775,000	\$0	(\$180,000)	\$1,595,000	\$185,000
General Obligation Refunding Bond - Series B	214,525	0	(39,274)	175,251	38,663
EMS Vehicle Note	73,600	0	(36,800)	36,800	36,800
Compensated Absences	131,062	24,359	(35,671)	119,750	39,439
Total Governmental Activities	<u>\$2,194,187</u>	<u>\$24,359</u>	<u>(\$291,745)</u>	<u>\$1,926,801</u>	<u>\$299,902</u>
Business-Type Activity					
General Obligation Refunding Bond - Series B	935,475	0	(65,726)	869,749	61,337
Compensated Absences	6,779	20,893	(6,397)	21,275	5,892
Total Business-Type Activities	<u>\$942,254</u>	<u>\$20,893</u>	<u>(\$72,123)</u>	<u>\$891,024</u>	<u>\$67,229</u>

On November 1, 2001 the City issued \$1,950,000 Series A and \$1,250,000 Series B (which includes a governmental activities portion and a business-type activity portion) in General Obligation Bonds with an average interest rate of 4.34 percent to advance refund \$1,950,000 of 1994A Series bonds with an average interest rate of 6.30 percent and \$1,105,000 of 1994B Series bonds with an average interest rate 6.49 percent. Both the 2001 A & B bonds mature in 2014. The net proceeds of \$3,055,000 (after deduction of \$145,000 in underwriting fees, insurance and other issuance costs) were used to advance refund the 1994 A & B Series Bonds. As a result, the 1994A and 1994B Series bonds are considered defeased and the liability has been removed from the City's financial statements.

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

On September 30, 1999 the City issued an \$184,000 EMS Vehicle Note with an interest rate of 4.96 percent to purchase a life support vehicle and equipment. The note matures in 2004.

The compensated absences liability will be paid out of the City's Compensated Absence Reserve Fund.

The City's overall legal debt margin was \$3,395,145 at December 31, 2003. Principal and interest requirements to retire the outstanding debt at December 31, 2003, are as follows:

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

	Governmental Activities					
	General Obligation		General Obligation		EMS Vehicle Note	
	Refunding Bond - Series A		Refunding Bond - Series B			
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$185,000	\$51,785	\$38,663	\$6,530	\$36,800	\$1,825
2005	170,000	46,235	12,308	5,194	0	0
2006	170,000	41,135	12,143	4,819	0	0
2007	175,000	35,610	12,143	4,425	0	0
2008	180,000	29,485	11,333	4,000	0	0
2009-2013	677,505	368,925	74,456	12,368	0	0
2014-2018	37,495	167,505	14,205	604	0	0
Totals	<u>\$1,595,000</u>	<u>\$740,680</u>	<u>\$175,251</u>	<u>\$37,940</u>	<u>\$36,800</u>	<u>\$1,825</u>

	Business-Type Activities	
	General Obligation	
	Refunding Bond - Series B	
	Principal	Interest
2004	\$61,337	\$32,410
2005	67,692	30,745
2006	72,857	28,721
2007	72,857	26,353
2008	73,667	23,802
2009-2013	425,543	73,340
2014-2018	95,796	4,071
Totals	<u>\$869,749</u>	<u>\$219,442</u>

Note 14 – Interfund Transfers

Interfund transfers for the year ended December 31, 2003, consisted of the following:

Transfer to	Transfer From		Total
	Capital Improvement Fund	Nonmajor Funds	
General Fund	\$0	\$6,063	\$6,063
General Obligation Bond Retirement Fund	47,126	0	47,126
	<u>\$47,126</u>	<u>\$6,063</u>	<u>\$53,189</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; reclassification of prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

Note 15 - Subsequent Event

In June 2004, the City entered into a lease purchase agreement for a new fire truck. The purchase price was \$252,931 with annual payments of \$27,264 to begin in June 2005 and run through 2016.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of City Council
City of Munroe Falls
Summit County
43 Munroe Falls Avenue
Munroe Falls, Ohio 44262

We have audited the financial statements of governmental activities, the business type activity, each major fund and the aggregate remaining fund information of the City of Munroe Falls, Summit County, Ohio, (the City) as of and for the year ended December 31, 2003 which collectively comprise the City's basic financial statements and have issued our report thereon dated October 12, 2004, in which we noted the City adopted Government Accounting Standards Board Statement No. 34. Additionally, the City restated the business-type activity and major water fund net assets as of December 31, 2002 as a result of an adjustment to capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the City's management in a separate letter dated October 12, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the City's management in a separate letter dated October 12, 2004.

This report is intended solely for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 12, 2004

**CITY OF MUNROE FALLS
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Revised Code Section 5705.41(D) – failure to certify expenditures	No	Partially corrected – included in management letter
2002-002	Capital Asset material weakness	No	Partially corrected – included in management letter



**Auditor of State
Betty Montgomery**

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CITY OF MUNROE FALLS

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 16, 2004**