CITY OF MACEDONIA
SUMMIT COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008

Mary Taylor, CPA
Auditor of State

CITY OF MACEDONIA
SUMMIT COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Macedonia, Summit County, Ohio, as of December 31, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Family Recreation Center, and Street Construction, Maintenance and Repair Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 12, 2009

The management's discussion and analysis of the City of Macedonia's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2008 are:

- City income tax revenue totaled $8,106,300. This is an increase of $868,069 or 11.99 percent from 2007.
- Total assets increased by $3,670,554, a 6.82 percent increase from 2007.
- Total net assets increased by $48,020, a 0.13 percent increase from 2007.
- Total capital assets, net of depreciation increased $2,129,671, a 4.98 percent increase from 2007.
- Total outstanding long-term liabilities increased $2,049,445.
- The total governmental fund balances for the City decreased from $4,485,939 to $3,820,170. The general fund ended the year with a fund balance of $1,631,302.

Using This Annual Financial Report

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

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

Reporting the City of Macedonia as a Whole

Statement of Net Assets and Statement of Activities

This document contains information about the funds used by the City to provide services to our citizens. The S*tatement of Net Assets* and the S*tatement of Activities* answer the question, "How did the City do financially during 2008?" These statements include all assets and liabilities, except fiduciary funds, 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 the financial position of the City as a whole has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

The S*tatement of Net Assets* and the S*tatement 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 Macedonia's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds to account for the services, facilities and infrastructure provided to its residents. These fund financial statements focus on the City's most significant funds. In the case of the City of Macedonia, the major funds are the general fund; the family recreation center fund; the street construction, maintenance and repair fund; the special assessments bond retirement fund; the capital improvements fund; the State Route 82 widening fund; and the South Freeway Drive fund.

Governmental Funds

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

Fiduciary Funds

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

The City of Macedonia as a Whole

The *Statement of Net Assets* looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2008 compared to 2007.

TABLE 1
NET ASSETS

	Governmental Activities		
	2008	2007	Change
Current and Other Assets	$ 12,597,251	$ 11,056,368	$ 1,540,883
Capital Assets, Net	44,905,837	42,776,166	2,129,671
Total Assets	57,503,088	53,832,534	3,670,554
Current and Other Liabilities	4,840,759	3,267,670	1,573,089
Long-Term Liabilities:			
Due Within One Year	1,571,514	847,515	723,999
Due in More Than One Year	13,903,313	12,577,867	1,325,446
Total Liabilities	20,315,586	16,693,052	3,622,534
Invested in Capital Assets, Net of Related Debt	28,853,010	29,425,662	(572,652)
Restricted for:			
Capital Projects	406,217	1,470,333	(1,064,116)
Debt Service	1,608,082	1,739,742	(131,660)
Street Construction and Maintenance	478,008	733,539	(255,531)
Recreation Services and Programs	1,753,626	1,496,591	257,035
Police Services and Programs	51,791	136,646	(84,855)
Fire Services	52,148	112,753	(60,605)
Other Purposes	261,803	388,460	(126,657)
Unrestricted	3,722,817	1,635,756	2,087,061
Total Net Assets	$ 37,187,502	$ 37,139,482	$ 48,020

The largest portion of the City's net assets (77.59 percent) is investments in capital assets (e.g. land, construction in progress, buildings and improvements, machinery and equipment, furniture and fixtures, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets increased by $3,670,554, from 2007 to 2008. The City's total liabilities increased $3,622,534, for the same period. The most significant change in assets was the increase in capital assets of over $2.1 million. The City continued the State Route 82 Widening project which included $1.3 million in right-a-way acquisitions, which were included in land acquisitions and over $1 million in construction-in-progress.

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

TABLE 2
CHANGES IN NET ASSETS

	Governmental Activities		
	2008	2007	Change
Revenues			
Program Revenues:			
Charges for Services	$ 2,413,790	$ 2,402,021	$ 11,769
Operating Grants and Contributions	886,088	928,327	(42,239)
Capital Grants and Contributions	38,997	1,817,923	(1,778,926)
Total Program Revenues	3,338,875	5,148,271	(1,809,396)
General Revenues:			
Property Taxes	1,659,513	2,221,620	(562,107)
Municipal Income Taxes	8,106,300	7,238,231	868,069
Grants and Entitlements, not restricted	1,346,850	964,624	382,226
Interest	178,001	242,721	(64,720)
Gain on Sale of Capital Assets		23,221	(23,221)
Miscellaneous	105,694	138,407	(32,713)
Total General Revenues	11,396,358	10,828,824	567,534
Total Revenues	14,735,233	15,977,095	(1,241,862)
Program Expenses			
General Government	2,703,531	2,506,386	197,145
Security of Persons and Property	5,527,270	5,124,863	402,407
Public Health Services	201,917	199,031	2,886
Transportation	2,844,256	2,141,819	702,437
Community Environment	483,557	506,742	(23,185)
Basic Utility Services	660,325	552,289	108,036
Leisure Time Activities	1,778,593	1,625,520	153,073
Interest and Fiscal Charges	487,764	503,650	(15,886)
Total Program Expenses	14,687,213	13,160,300	1,526,913
Change in Net Assets	48,020	2,816,795	(2,768,775)
Net Assets Beginning of Year	37,139,482	34,322,687	2,816,795
Net Assets End of Year	$ 37,187,502	$ 37,139,482	$ 48,020

Governmental Activities

The City's net assets for governmental activities increased $48,020 during 2008. Table 2 indicates total revenues decreased by $1,241,862 or 7.77 percent. At the same time program expenses increased by $1,526,913 or 11.60 percent.

Several types of revenues fund our governmental activities, with the City income tax as the largest revenue source for the City. The income tax rate was 2.0 percent for 2008, the same as the prior year. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

Total program revenues for 2008 decreased by $1,809,936. Operating grants and contributions decreased $42,239, capital grants and contributions decreased $1,778,926 and charges for services increased $11,769. The primary cause of the large decrease is the reduction in capital grants related to construction projects. Total general revenues for 2008 increased by $567,534 compared to 2007. This increase is due to the increase in income tax revenue for 2008 of $868,069 or 11.99 percent from 2007. The income tax revenues for 2008 were $8,106,300. Of the $14,735,233 in total revenues, income tax accounts for 55.01 percent of the total governmental revenues. Property taxes for 2008 were $1,659,513.

General revenues from grants and entitlements, such as local government funds, are also revenue generators. General revenues from grants and entitlements increased $382,226.

During 2008, the City experienced an 11.60 percent increase in its program expenses. The largest program function for the City normally relates to security of persons and property which include police and fire services. Security of persons and property expenses increased by 7.85 percent in 2008 primarily due to increases in wages and benefits. General government expenses which account for the basic operations of the City including council, mayor, finance, law, purchasing, civil service, engineering, and building maintenance among other departments and services, had expenses of $2,703,531 for 2008.

The City's Funds

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

Governmental Funds

These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues of $14,115,598 and expenditures of $17,778,997. Income tax is the City's largest revenue source.

The largest fund for the City is the general fund. The year-end fund balance for the general fund was $1,631,302 on a modified accrual basis. This is an increase of $147,319 from the 2007 ending balance.

The family recreation center fund ended the year with a fund balance of $1,611,645. The $200,523 increase is due to the increase in recreation center revenues as well as the City's monitoring of expenditures while still maintaining the recreational activities our citizens enjoy.

The street construction, maintenance and repair fund ended the year with a fund balance of $152,495. This is down $380,246 due to increased expenditures for road salt and reduced transfers from the General Fund which resulted in a reduction of the carryover fund balance.

The special assessments bond retirement fund ended the year with a fund balance of $8,921. This is up $8,921 from the year-end balance in 2007.

The capital improvements fund ended the year with a fund balance of $142,377. This is down $846,370 from the year-end balance in 2007 due primarily to the large repaving project for North Bedford Road and reduced transfers from the General Fund which resulted in a reduction of the carryover fund balance. Operating Capital Improvements will be funded within each appropriate fund and department commencing in the 2009 budget year.

The State Route 82 widening fund ended the year with a fund balance of $51,830. This is up $92,629 from the year-end balance in 2007.

The South Freeway Drive fund ended the year with a fund deficit balance of $37,997. This is down $38,945 from the year-end balance in 2007.

For all governmental funds, the end of year balances decreased for the year by $665,769 from $4,485,939 in 2007 to $3,820,170 in 2008. The available fund balance for all funds is 21.49 percent of the amount spent in total in 2008.

General Fund Budgeting Highlights

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

The general fund supports most of the City's major activities such as the police, fire, building, and service departments as well as the legislative and most executive activities. For the general fund, the original budgeted revenues and other financing sources were $10,561,591 and the final budgeted revenues and other financing sources were $10,787,341. Actual revenues of $10,281,767 were $505,574 less than the final amended budget, due to the City receiving less in property taxes, income taxes, and fines, licenses and permits than anticipated.

The original budget estimated expenditures and other financing uses at $10,448,051. The final budgeted expenses and other financing uses of $11,033,495 were increased from the original appropriation due to the departments incurring additional expenditures. Actual expenditures and other financing uses were $10,361,018. Expenditures were $672,477 or 6.09 percent less than the final budget.

Capital Assets and Long-Term Obligations

Capital Assets

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

	Governmental Activities	
	2008	2007
Land	$6,382,753	$5,024,901
Construction in Progress	1,447,164	
Buildings and Improvements	9,879,679	9,870,389
Machinery and Equipment	1,044,956	1,060,229
Furniture and Fixtures	6,578	7,422
Vehicles	1,947,617	2,062,487
Infrastructure		
Roads	10,197,504	10,539,326
Water Mains	4,628,140	4,748,923
Storm Sewers	8,994,962	9,054,384
Traffic Signals	182,125	209,214
Bridges	194,359	198,891
Totals	$44,905,837	$42,776,166

Total capital assets, net of depreciation for governmental activities of the City for 2008 were $44,905,837, a $2,129,671 increase from 2007. The increase is primarily due to $1.3 million addition of land purchased for rights-of-way and to the $1.4 million addition to construction in progress. The increase was then offset by current year depreciation of approximately $1.8 million. See Note 10 of the basic financial statements for additional information on capital assets.

Long-Term Obligations

On December 31, 2008, the City of Macedonia had $7,677,968 in general obligation bonds, $1,688,400 in special assessment bonds, $200,000 in long-term notes, $4,543,029 in state infrastructure bank loans, $611,061 in OPWC loans and $164,430 in capital leases outstanding.

Table 4
Outstanding Long-Term Obligations at End of Year

	Governmental	
	2008	2007
General Obligation Bonds	$ 7,677,968	$ 8,177,089
Special Assessment Bonds	1,688,400	1,770,200
Long-Term Notes	200,000	250,000
State Infrastructure Bank Loans	4,543,029	1,829,931
OPWC Loan	611,061	645,009
Capital Leases	164,430	226,788
Compensated Absences Payable	589,939	526,365
Totals	$ 15,474,827	$ 13,425,382

The City has issued general obligation bonds for various purposes and for the Recreation Center and City Hall/Safety Center. There is $7,677,968 outstanding on the bonds. The special assessment bonds are for street construction on Highland Road and North Freeway Drive. The OPWC loan is for the North Freeway Drive project and is also being paid by special assessments. The long-term notes were for various street improvements.

The State Infrastructure Bank loans are for the Highland Road Grade Separation and for State Route 82.

The capital leases were for a rescue vehicle, two snow plows, a tractor, and two copiers.

See Notes 14 through 16 of the basic financial statements for additional information on debt.

Current Financial Related Activities

The Administration and City Council have committed the City to financial excellence and work hard at keeping the City's debt obligations at a minimum. Outstanding debt is well below the City's debt capacity. The City is aggressively paying off older debt in anticipation of future debt service requirements for the State Route 82 widening project. The City has a five-year financial plan and a debt management plan in place.

<u>Regional Cooperation</u>

The City continues to partner with Northfield Center Township through a Joint Economic Development District. Over the last several years, the District has developed significantly and is now providing nearly 1.4 percent of the City's total general fund revenue. The City's relationship with Northfield Center Township brought both communities together in support of an Economic, Fiscal and Environmental Impact Report for the State Route 8 Corridor that includes significant acreage in both communities.

The City is also engaged in the implementation of a regional fire service study completed in 2007. This study provided guidelines for eliminating duplication between the local fire departments in five surrounding communities.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need additional financial information contact the Finance Department, 9691 Valley View Road, Macedonia, Ohio 44056, telephone (330) 468-8351 or the City website at www.Macedonia.oh.us.

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City of Macedonia, Ohio

Statement of Net Assets
December 31, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$ 5,178,696
Materials and Supplies Inventory	104,437
Accrued Interest	25,043
Accounts Receivable	146,385
Intergovernmental Receivable	882,207
Prepaid Items	42,942
Municipal Income Taxes Receivable	2,044,440
Property Taxes Receivable	2,136,204
Special Assessments Receivable	2,020,441
Deferred Charges	16,456
Nondepreciable Capital Assets	7,829,917
Depreciable Capital Assets, Net	37,075,920
Total Assets	57,503,088
Liabilities	
Accounts Payable	302,310
Contracts Payable	109,698
Accrued Wages and Benefits	314,338
Intergovernmental Payable	396,760
Unearned Revenue	1,881,039
Accrued Interest Payable	57,614
Notes Payable	1,779,000
Long-Term Liabilities:	
Due Within One Year	1,571,514
Due In More Than One Year	13,903,313
Total Liabilities	20,315,586
Net Assets	
Invested in Capital Assets, Net of Related Debt	28,853,010
Restricted for:	
Capital Projects	406,217
Debt Service	1,608,082
Street Construction and Maintenance	478,008
Recreation Services and Programs	1,753,626
Police Services and Programs	51,791
Fire Services	52,148
Other Purposes	261,803
Unrestricted	3,722,817
Total Net Assets	$ 37,187,502

See accompanying notes to the basic financial statements

City of Macedonia, Ohio

Statement of Activities
For the Year Ended December 31, 2008

					Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	$ 2,703,531	$ 459,229	$ 4,065	$ -	$ (2,240,237)
Security of Persons and Property	5,527,270	510,049	96,388	-	(4,920,833)
Public Health Services	201,917	-	15,077	-	(186,840)
Transportation	2,844,256	1,895	770,058	38,997	(2,033,306)
Community Environment	483,557	220,506	-	-	(263,051)
Basic Utility Services	660,325	148,986	-	-	(511,339)
Leisure Time Activities	1,778,593	1,073,125	500	-	(704,968)
Interest and Fiscal Charges	487,764	-	-	-	(487,764)
Total Governmental Activities	$ 14,687,213	$ 2,413,790	$ 886,088	$ 38,997	$ (11,348,338)

General Revenues	
Property Taxes Levied for:	
General Purposes	1,464,073
Fire Operating Levy	84,084
Police Pension Transfer	111,356
Municipal Income Taxes Levied for:	
General Purposes	6,768,679
Family Recreation Center	942,553
Capital Improvements	395,068
Grants and Entitlements not Restricted to Specific Programs	1,346,850
Investment Earnings	178,001
Miscellaneous	105,694
Total General Revenues	11,396,358
Change in Net Assets	48,020
Net Assets Beginning of Year	37,139,482
Net Assets End of Year	$ 37,187,502

See accompanying notes to the basic financial statements

City of Macedonia, Ohio

Balance Sheet
Governmental Funds
December 31, 2008

	General	Family Recreation Center	Street Construction, Maintenance and Repair	Special Assessments Bond Retirement	Capital Improvements
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 1,188,082	$ 1,550,729	$ 60,806	$ 8,921	$ 110,519
Materials and Supplies Inventory	4,368	-	100,069	-	-
Accrued Interest Receivable	25,043	-	-	-	-
Accounts Receivable	125,420	219	16,854	-	-
Intergovernmental Receivable	397,364	-	359,719	-	-
Prepaid Items	10,493	30,814	220	-	-
Municipal Income Taxes Receivable	1,615,108	255,555	-	-	173,777
Property Taxes Receivable	1,632,414	-	-	-	-
Special Assessments Receivable	379,247	-	-	1,605,407	-
Total Assets	$ 5,377,539	$ 1,837,317	$ 537,668	$ 1,614,328	$ 284,296
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	$ 144,331	$ 35,902	$ 29,094	$ -	$ 37,266
Contracts Payable	-	-	-	-	10,023
Accrued Wages and Benefits	232,560	25,021	45,826	-	-
Intergovernmental Payable	221,417	25,587	44,644	-	-
Deferred Revenue	1,743,000	139,162	265,609	1,605,407	94,630
Unearned Revenue	1,404,929	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
Notes Payable	-	-	-	-	-
Total Liabilities	3,746,237	225,672	385,173	1,605,407	141,919
Fund Balances (Deficit)					
Reserved for Encumbrances	51,012	506	11,231	-	14,935
Reserved for Materials and Supplies Inventory	4,368	-	100,069	-	-
Unreserved:					
Designated for Emergency Reserve	400,000	-	-	-	-
Undesignated, Reported in:					
General Fund	1,175,922	-	-	-	-
Special Revenue Funds	-	1,611,139	41,195	-	-
Debt Service Funds	-	-	-	8,921	-
Capital Projects Funds	-	-	-	-	127,442
Total Fund Balances (Deficit)	1,631,302	1,611,645	152,495	8,921	142,377
Total Liabilities and Fund Balances	$ 5,377,539	$ 1,837,317	$ 537,668	$ 1,614,328	$ 284,296

See accompanying notes to the basic financial statements

State Route 82 Widening	South Freeway Drive	Other Governmental Funds	Total Governmental Funds
$ 66,748	$ 1,477,730	$ 715,161	$ 5,178,696
-	-	-	104,437
-	-	-	25,043
-	-	3,892	146,385
-	-	125,124	882,207
-	-	1,415	42,942
-	-	-	2,044,440
-	-	503,790	2,136,204
-	-	35,787	2,020,441
$ 66,748	$ 1,477,730	$ 1,385,169	$ 12,580,795
$ -	$ -	$ 55,717	$ 302,310
14,918	4,612	80,145	109,698
-	-	10,931	314,338
-	-	105,112	396,760
-	-	112,978	3,960,786
-	-	476,110	1,881,039
-	11,115	5,579	16,694
-	1,500,000	279,000	1,779,000
14,918	1,515,727	1,125,572	8,760,625
5,144	640	79,469	162,937
-	-	-	104,437
-	-	-	400,000
-	-	-	1,175,922
-	-	320,777	1,973,111
-	-	-	8,921
46,686	(38,637)	(140,649)	(5,158)
51,830	(37,997)	259,597	3,820,170
$ 66,748	$ 1,477,730	$ 1,385,169	$ 12,580,795

City of Macedonia, Ohio

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

Total Governmental Fund Balances			$	3,820,170
Amounts reported for governmental activities on the statement of net assets are different because				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				44,905,837
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:				
Property Taxes Receivable	$	225,704		
Municipal Income Taxes Receivable		1,113,294		
Accounts Receivable		59,027		
Intergovernmental Receivable		546,414		
Special Assessments Receivable		2,016,347		
Total				3,960,786
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.				16,456
Unamortized premiums on bond issuances are not recorded in the funds.				(4,712)
Unamortized deferred charges on refundings are not recorded in the funds.				11,744
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.				(40,920)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:				
General Obligation Bonds		(7,685,000)		
Special Assessment Bonds		(1,688,400)		
SIB Loans Payable		(4,543,029)		
OPWC Loans Payable		(611,061)		
Long Term Notes		(200,000)		
Capital Lease Obligation Payable		(164,430)		
Compensated Absences		(589,939)		
Total				(15,481,859)
Net Assets of Governmental Activities			$	37,187,502

See accompanying notes to the basic financial statements

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City of Macedonia, Ohio

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

	General	Family Recreation Center	Street Construction, Maintenance and Repair	Special Assessments Bond Retirement	Capital Improvements
Revenues					
Property Taxes	$ 1,759,344	$ -	$ -	$ -	$ -
Municipal Income Taxes	5,771,468	822,037	-	-	340,102
Charges for Services	533,067	894,422	-	-	-
Fines, Licenses and Permits	642,687	-	-	-	-
Intergovernmental	1,265,424	-	651,946	-	-
Special Assessments	38,595	-	-	179,401	-
Interest	178,001	-	4,938	-	-
Rentals	25,863	-	-	-	-
Donations	4,911	500	-	-	-
Miscellaneous	57,215	315	40,657	-	110
Total Revenues	10,276,575	1,717,274	697,541	179,401	340,212
Expenditures					
Current:					
General Government	2,613,143	-	-	7,443	878
Security of Persons and Property	4,723,900	-	-	-	-
Public Health Services	201,280	-	-	-	-
Transportation	-	-	1,747,787	-	-
Community Environment	481,068	-	-	-	-
Basic Utility Services	238,162	-	-	-	-
Leisure Time Activities	3,694	1,130,672	-	-	-
Capital Outlay	-	13,911	68,536	-	1,185,387
Debt Service:					
Principal Retirement	-	171,335	30,000	115,748	440,443
Interest and Fiscal Charges	-	209,080	-	77,901	162,935
Total Expenditures	8,261,247	1,524,998	1,846,323	201,092	1,789,643
Excess of Revenues Over (Under) Expenditures	2,015,328	192,276	(1,148,782)	(21,691)	(1,449,431)
Other Financing Sources (Uses)					
Notes Issued	-	-	-	-	-
Loans Issued	-	-	-	-	-
Captial Lease Transactions	-	8,247	68,536	-	-
Sale of Capital Assets	-	-	-	-	5,000
Transfers In	-	-	700,000	30,612	598,061
Transfers Out	(1,868,009)	-	-	-	-
Total Other Financing Sources (Uses)	(1,868,009)	8,247	768,536	30,612	603,061
Net Change in Fund Balances	147,319	200,523	(380,246)	8,921	(846,370)
Fund Balances (Deficit) Beginning of Year	1,483,983	1,411,122	532,741	-	988,747
Fund Balances (Deficit) End of Year	$ 1,631,302	$ 1,611,645	$ 152,495	$ 8,921	$ 142,377

See accompanying notes to the basic financial statements

State Route 82 Widening	South Freeway Drive	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 206,430	$ 1,965,774
-	-	-	6,933,607
-	-	282,558	1,710,047
-	-	29,204	671,891
-	-	315,774	2,233,144
-	-	595	218,591
-	-	3,745	186,684
1,300	-	26,024	53,187
-	-	5,392	10,803
-	-	33,573	131,870
1,300	-	903,295	14,115,598
-	-	43,692	2,665,156
-	-	506,322	5,230,222
-	-	-	201,280
-	-	184,094	1,931,881
-	-	-	481,068
36	-	67,335	305,533
-	-	457,245	1,591,611
2,418,454	27,830	164,029	3,878,147
-	-	250,112	1,007,638
-	11,115	25,430	486,461
2,418,490	38,945	1,698,259	17,778,997
(2,417,190)	(38,945)	(794,964)	(3,663,399)
-	-	200,000	200,000
2,509,819	-	203,279	2,713,098
-	-	2,749	79,532
-	-	-	5,000
-	-	595,000	1,923,673
-	-	(55,664)	(1,923,673)
2,509,819	-	945,364	2,997,630
92,629	(38,945)	150,400	(665,769)
(40,799)	948	109,197	4,485,939
$ 51,830	$ (37,997)	$ 259,597	$ 3,820,170

City of Macedonia, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2008

Net Change in Fund Balances - Total Governmental Funds		$ (665,769)
Amounts reported for governmental activities in the statement of activities are different because		
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.		
Capital Asset Additions		
Capital Outlay	$ 3,926,407	
Current Year Depreciation	(1,794,928)	
Total		2,131,479
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(1,808)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(19,062)	
Municipal Income Tax	955,273	
Charges for Services	(56,203)	
Intergovernmental	(50,474)	
Special Assessments	(209,899)	
Total		619,635
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,007,638
In the statement of activities, interest accrued on outstanding bonds, bond premium, bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds expenditure is reported when the bonds are issued.		
Accrued Interest	1,633	
Amortization of Deferred Loss on Refunding	(1,468)	
Amortization of Issuance Costs	(2,057)	
Amortization of Premium on Bonds	589	
Total		(1,303)
Other financing sources in the governmental funds increased long-term liabilities in the statement of net assets.		
Notes Issued	(200,000)	
Capital Lease Transaction	(79,532)	
Loans Issued	(2,713,098)	
Total		(2,992,630)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures.		(49,222)
Change in Net Assets of Governmental Activities		$ 48,020

See accompanying notes to the basic financial statements

City of Macedonia, Ohio

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Non-Gaap Budgetary Basis)
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Final Budget Positive (Negative)
Revenues:				
Property taxes	$ 1,865,856	$ 1,865,856	$ 1,744,606	$ (121,250)
Income taxes	6,135,974	6,135,974	5,911,193	(224,781)
Charges for services	240,599	466,099	443,382	(22,717)
Fines, licenses and permits	867,138	867,138	691,718	(175,420)
Intergovernmental	1,172,804	1,172,304	1,237,575	65,271
Special assessments	42,220	42,220	38,595	(3,625)
Interest	144,700	145,450	142,220	(3,230)
Rentals	20,600	20,600	25,863	5,263
Donations	1,500	1,500	4,911	3,411
Miscellaneous	9,200	9,200	41,704	32,504
Total revenues	10,500,591	10,726,341	10,281,767	(444,574)
Expenditures:				
Current:				
General government	2,671,366	2,854,246	2,667,718	186,528
Security of persons and property	4,753,275	5,146,822	4,842,045	304,777
Public health services	203,747	201,764	201,280	484
Community environment	534,999	543,628	505,729	37,899
Basic utility services	271,900	313,891	272,464	41,427
Leisure time activity	7,089	5,134	3,773	1,361
Total expenditures	8,442,376	9,065,485	8,493,009	572,476
Excess of revenues over expenditures	2,058,215	1,660,856	1,788,758	127,902
Other financing sources (uses):				
Transfers in	61,000	61,000	-	(61,000)
Transfers out	(2,005,675)	(1,968,010)	(1,868,009)	100,001
Total other financing sources (uses)	(1,944,675)	(1,907,010)	(1,868,009)	39,001
Net change in fund balance	113,540	(246,154)	(79,251)	166,903
Fund balance at beginning of year	850,465	850,465	850,465	-
Prior year encumbrances appropriated.	133,336	133,336	133,336	-
Fund balance at end of year	$ 1,097,341	$ 737,647	$ 904,550	$ 166,903

See accompanying notes to the basic financial statements

City of Macedonia, Ohio

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Non-Gaap Budgetary Basis)
Family Recreation Center Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Income taxes	$ 856,899	$ 856,899	$ 856,899	$ -
Charges for services	814,500	814,500	895,707	81,207
Donations	4,200	4,200	500	(3,700)
Miscellaneous	-	-	275	275
Total revenues	1,675,599	1,675,599	1,753,381	77,782
Expenditures:				
Current:				
Leisure time activity	1,272,682	1,298,045	1,157,536	140,509
Capital outlay	54,000	39,548	27,530	12,018
Debt service:				
Principal retirement	171,000	171,000	171,000	-
Interest and fiscal charges	209,000	209,000	208,934	66
Total expenditures	1,706,682	1,717,593	1,565,000	152,593
Excess (deficiency) of revenues over (under) expenditures	(31,083)	(41,994)	188,381	230,375
Other financing sources:				
Transfers in	100,001	100,001	-	(100,001)
Total other financing sources	100,001	100,001	-	(100,001)
Net change in fund balance	68,918	58,007	188,381	130,374
Fund balance at beginning of year	1,311,561	1,311,561	1,311,561	-
Prior year encumbrances appropriated.	10,911	10,911	10,911	-
Fund balance at end of year	$ 1,391,390	$ 1,380,479	$ 1,510,853	$ 130,374

See accompanying notes to the basic financial statements

City of Macedonia, Ohio

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Non-Gaap Budgetary Basis)
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 621,900	$ 621,900	$ 654,849	$ 32,949
Interest	12,500	12,500	4,938	(7,562)
Miscellaneous	5,000	5,000	26,953	21,953
Total revenues	639,400	639,400	686,740	47,340
Expenditures:				
Current:				
Transportation	1,671,254	1,874,970	1,907,735	(32,765)
Total expenditures	1,671,254	1,874,970	1,907,735	(32,765)
Deficiency of revenues under expenditures	(1,031,854)	(1,235,570)	(1,220,995)	14,575
Other financing sources:				
Transfers in	700,000	700,000	700,000	-
Total other financing sources	700,000	700,000	700,000	-
Net change in fund balance	(331,854)	(535,570)	(520,995)	14,575
Fund balance at beginning of year	338,751	338,751	338,751	-
Prior year encumbrances appropriated.	198,716	198,716	198,716	-
Fund balance at end of year	$ 205,613	$ 1,897	$ 16,472	$ 14,575

See accompanying notes to the basic financial statements

City of Macedonia, Ohio

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2008

Assets		
Equity in Pooled Cash and Cash Equivalents	$	112,097
Income tax receivable.		33,793
Accounts Receivable		13,951
Total Assets	$	159,841
Liabilities		
Undistributed Monies.	$	57,340
Due to other governments		26,658
Deposits Held and Due to Others.		75,843
Total Liabilities	$	159,841

See accompanying notes to the basic financial statements

Note 1 - Description of the City and Reporting Entity

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

Reporting Entity

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

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

The City is associated with two jointly governed organizations, the Northeast Ohio Public Energy Council and the Regional Council of Governments and one joint venture, the Northfield Center Township - Macedonia Joint Economic Development District. These organizations are presented in notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Macedonia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless these pronouncements conflict with or contradict GASB pronouncements. 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

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

B. Fund Accounting

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

Governmental Funds - Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities 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 is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Macedonia and/or the general laws of Ohio.
>
> ***Family Recreation Center Fund*** - The family recreation center fund accounts for membership and program fees and income taxes to be used for the operation and maintenance of the family recreational center.
>
> ***Street Construction, Maintenance and Repair Fund -*** The street construction, maintenance and repair fund accounts for the portion of the State gasoline tax and motor vehicle registration fees designated for maintenance and repair of designated streets within the City and for the maintenance and operations of the street department.

Note 2 - Summary of Significant Accounting Policies (Continued)

Special Assessments Bond Retirement Fund - The special assessments bond retirement fund accounts for accumulation of resources to pay principal and interest on special assessment debt.

Capital Improvements Fund - The capital improvement fund accounts for municipal tax revenues to be used for major improvements to, acquisition of and maintenance of the City's capital assets and infrastructure.

State Route 82 Widening Fund - The State Route 82 widening fund accounts for Ohio Public Works Commission loans for widening State Route 82.

South Freeway Drive Fund - This fund accounts for monies for the improvement of South Freeway Drive. The project will include a partial assessment to property owners.

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

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

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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 7) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

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

During 2008, the City's investments were limited to money market funds, federal agency securities and State Treasury Asset Reserve of Ohio (STAR Ohio).

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to $178,001, which includes $137,966 assigned from other City funds.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

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

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

J. Interfund Balances

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

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves and Designations

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriations in future periods. Fund balance reserves have been established for encumbrances and materials and supplies inventory. Designations represent tentative plans for future use of financial resources. The City has begun accumulating resources for emergency reserves. A portion of the general fund balance has been designated for emergency reserves.

N. Net Assets

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

The government wide Statement of Net Assets report $4,654,827 of restricted net assets, none of which is restricted by enabling legislation.

Net assets restricted for other purposes include the operations of the Fire Awareness Instruction and Respect (FAIR) program, community development block grant program, and maintaining subdivision trees.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

O. Interfund Activity

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

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

P. Bond Issuance Costs

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. Within the governmental fund statements, bond issuance costs are expended when incurred. Issuance costs are generally paid from bond proceeds.

Q. Bond Premium

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

R. Gain/Loss on Refunding

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

S. 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.

T. Estimates

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

Note 3 - Changes in Accounting Principles

Change in Accounting Principles

For 2008, the City has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City.

Note 4 - Compliance and Accountability

A. Legal Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of final appropriations:

	Final Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
General Government:			
Mayor's Office			
Personal Services	$ 261,856	$ 269,431	$ 7,575
Security of Persons and Property:			
Street Lighting			
Other	101,210	105,552	4,342
Community Environment:			
Planning and Engineering			
Personal Services	88,669	90,081	1,412
Special Revenue Funds			
Street Construction, Maintenance and Repair			
Transportation:			
Street Construction and Maintenance			
Personal Services	921,365	946,022	24,657
Snow Removal			
Other	165,368	172,800	7,432
Equipment and Maintenance			
Personal Services	164,539	169,235	4,696
Valley View Rental			
General Government:			
Other	-	110	110
Mayor's Court Computers			
Capital Outlay:			
Mayor's Court			
Furniture and Fixtures	400	416	16
Drug Law Enforcement			
Security of Persons and Property:			
Police Law Enforcement			
Other	1,500	1,780	280
Capital Projects Funds			
Capital Improvements			
General Government:			
Operating	-	878	878
Capital Outlay:			
Traffic Light Battery Backup	15,000	15,264	264
Leaf Collector	4,000	4,250	250
North Freeway Drive			
Other Financing Uses:			
Transfers Out	30,090	30,612	522

Although these budgetary violations were not corrected by year-end, management had indicated that appropriations will be closely monitored to ensure no future violations.

Note 4 - Compliance and Accountability (Continued)

Also, contrary to Section 5705.39, Ohio Revised Code, the following funds had final appropriations in excess of final certifications of estimated resources plus beginning balances:

	Final Estimated Resources Plus Beginning Balances	Final Appropriations	Excess
Capital Projects Funds			
Capital Improvements	$ 2,042,945	$ 2,168,935	$ 125,990
State Route 82 Widening	3,863,352	3,917,062	53,710

B. Fund Deficits

Fund balances at December 31, 2008 included the following individual fund deficits:

	Fund Balance Deficit
Major Fund	
South Freeway Drive	$ 37,997
Non-major Funds	
Fire Operating Levy	9,864
Police Pension	30,248
Shepard Road Sanitary Sewers	222,348
Road Resurfacing Notes	50,459

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

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain 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 for the general fund and the family recreation center and street construction, maintenance and repair 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 basis) as opposed to when susceptible to accrual (GAAP basis);

2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis); and,

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

Note 5 - Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the general fund, the family recreation center special revenue fund and the street construction, maintenance and repair special revenue fund.

Net Change in Fund Balance

	General	Family recreation center	Street construction, maintenance and repair
Budget basis	$ (79,251)	$ 188,381	$ (520,995)
Net adjustment for revenue accruals	(48,677)	(36,107)	10,801
Net adjustment for expenditure accruals	47,011	126	17,078
Net adjustment for other financing sources/(uses)	-	8,247	68,536
Encumbrances	184,751	39,876	44,334
GAAP basis	$ 103,834	$ 200,523	$ (380,246)

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Note 6 - Deposits and Investments (Continued)

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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,

6. The State Treasurer's investment pool (STAR Ohio); and,

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

1. Bonds of the State of Ohio;

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

3. Obligations of the City.

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

Cash on Hand

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

Deposits

At December 31, 2008, the carrying amount of all City deposits was $226,816. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, the City's entire bank balance of $149,276 was covered by the Federal Deposit Insurance Corporation.

Note 6 - Deposits and Investments (Continued)

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

Investments

All investments are in an internal investment pool. As of December 31, 2008, the City had the following investments:

		Investment Maturities			
Investment type	Fair Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
STAR Ohio	$ 62,219	$ 62,219	$ -	$ -	$ -
Fifth Third					
money market fund	47,222	47,222	-	-	-
FHLB	211,188	-	-	-	211,188
FFCB Discount Notes	200,000	200,000	-	-	-
FHLB Discount Notes	299,850	299,850	-	-	-
FHLMC Discount Notes	999,600	999,600	-	-	-
FHLMC	715,455	509,968	102,844	102,643	-
FNMA Discount Notes	898,720	798,940	99,780	-	-
FNMA	1,628,548	550,498	-	412,938	665,112
Total	$ 5,062,802	$ 3,468,297	$ 202,624	$ 515,581	$ 876,300

The weighted average maturity of investments is 0.72 years.

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

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

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

Note 6 - Deposits and Investments (Continued)

Concentration of Credit Risk: The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2008:

Investment type	Fair Value	% of Total
STAR Ohio	$ 62,219	1.23
Fifth Third money market fund	47,222	0.93
FHLB	211,188	4.17
FFCB Discount Notes	200,000	3.95
FHLB Discount Notes	299,850	5.92
FHLMC Discount Notes	999,600	19.74
FHLMC	715,455	14.13
FNMA Discount Notes	898,720	17.75
FNMA	1,628,548	32.18
Total	$ 5,062,802	100.00

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of December 31, 2008:

Cash and investments per note disclosure	
Carrying amount of deposits	$ 226,816
Investments	5,062,802
Cash on hand	1,175
Total	$ 5,290,793

Cash and investments per statement of net assets	
Governmental activities	$ 5,178,696
Agency funds	112,097
Total	$ 5,290,793

Note 7 - Receivables

Receivables at December 31, 2008, consisted primarily of municipal income taxes, property taxes, special assessments, accounts (billings for user charged services and court fines), and intergovernmental receivables arising from grants, entitlements and shared revenues.

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

Special assessments expected to be collected in more than one year amount to $379,247 in the general fund and $1,590,819 in the special assessment bond retirement fund. At December 31, 2008 the amount of delinquent special assessments was $14,588.

Note 7 – Receivables (Continued)

A. Property Taxes

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The full tax rate for all City operations for the year ended December 31, 2008 was $8.70 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/agriculture	$ 287,571,130
Commerical/industrial/mineral	103,157,670
Tangible Personal Property	14,570,845
Public Utility	
Real	911,830
Personal	15,414,360
Total Valuation	$ 421,625,835

Note 7 – Receivables (Continued)

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Macedonia. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the general, fire operating levy and police pension transfer funds the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Taxes

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

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

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

Note 7 – Receivables (Continued)

C. Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Local Government	$ 166,608
Homestead and Rollback	75,674
Liquor Control License	2,857
December Fines	221
Prisoner Housing	51,970
EMS	14,800
Inheritance Tax	51,443
Street Construction, Maintenance and Repair	359,719
State Highway	17,477
Fire Operating	20,553
Police Pension	6,299
Wireless E911	6,300
Federal Fire	52,657
FEMA	15,077
Motor Vehicle License	6,761
JEDD	33,791
Total Governmental Activities	$ 882,207

Note 8 - Compensated Absences

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

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

Note 9 - Interfund Transactions

Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	Amount
Nonmajor governmental funds	$ 595,000
Street construction, maintenance and repair fund	700,000
Capital improvements fund	573,009
Transfers from nonmajor governmental funds to:	
Capital improvements fund	25,052
Nonmajor governmental funds	30,612
Total	$ 1,923,673

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

Note 10 - Capital Assets

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

	Balance 12/31/07	Additions	Deletions	Balance 12/31/08
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 5,024,901	$ 1,357,852	$ -	$ 6,382,753
Construction in Progress	-	1,447,164	-	1,447,164
Total Capital Assets Not Being Depreciated	5,024,901	2,805,016	-	7,829,917
Capital Assets Being Depreciated				
Buildings and Improvements	12,383,733	256,500	-	12,640,233
Machinery and Equipment	1,843,877	138,553	(12,157)	1,970,273
Furniture and Fixtures	14,247	-	-	14,247
Vehicles	3,442,133	110,998	(87,635)	3,465,496
Infrastructure				
Roads	18,787,462	442,674	-	19,230,136
Water Mains	6,039,132	-	-	6,039,132
Storm Sewers	11,490,690	172,666	-	11,663,356
Traffic Signals	477,763	-	-	477,763
Bridges	226,589	-	-	226,589
Total Capital Assets Being Depreciated	54,705,626	1,121,391	(99,792)	55,727,225
Less Accumulated Depreciation				
Buildings and Improvements	(2,513,344)	(247,210)	-	(2,760,554)
Machinery and Equipment	(783,648)	(152,018)	10,349	(925,317)
Furniture and Fixtures	(6,825)	(844)	-	(7,669)
Vehicles	(1,379,646)	(225,868)	87,635	(1,517,879)
Infrastructure				
Roads	(8,248,136)	(784,496)	-	(9,032,632)
Water Mains	(1,290,209)	(120,783)	-	(1,410,992)
Storm Sewers	(2,436,306)	(232,088)	-	(2,668,394)
Traffic Signals	(268,549)	(27,089)	-	(295,638)
Bridges	(27,698)	(4,532)	-	(32,230)
Total Accumulated Depreciation	(16,954,361)	(1,794,928)	97,984	(18,651,305)
Total Capital Assets Being Depreciated, Net	37,751,265	(673,537)	(1,808)	37,075,920
Governmental Activities Capital Assets, Net	$ 42,776,166	$ 2,131,479	$ (1,808)	$44,905,837

Note 10 - Capital Assets (Continued)

* Depreciation expense was charged to governmental functions as follow:

General government	$ 89,561
Security of persons and property	259,460
Public health services	637
Transportation	907,880
Basic utility services	354,792
Leisure time activities	182,598
Total	$ 1,794,928

Note 11 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. As of December 31, 2008, the City contracted with the St. Paul Travelers Insurance Company, as follows:

Type of Coverage	Coverage	Deductible
St. Paul Travelers Insurance		
Blanket Property, and Contents, Replacement	$ 17,524,800	$1,000
General Liability	1,000,000	-
Automobile Liability	1,000,000	500
Umbrella Liability	4,000,000	10,000
Employer Liability	1,000,000	-
Computers	50,000	1,000
Computers in Transit	24,000	1,000
Miscellaneous Equipment (Scheduled)	922,907	1,000
Miscellaneous Equipment (Unscheduled)	-	250
Tower and Antenna	40,000	1,000
Public Officials Liability	1,000,000	25,000
Law Enforcement	1,000,000	25,000
Employee Benefits Liability (per act)	1,000,000/3,000,000	1,000
Employment Practices Liability	5,000,000	25,000

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

B. Workers' Compensation

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

Note 12 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in State and local classifications contributed 10 percent of covered payroll, public safety members contributed 10.1 percent, and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. During 2008, a portion of the City's contribution equal to 7 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were $271,896, $291,242 and $262,659, respectively; 88.25 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

Note 12 - Defined Benefit Pension Plans (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.
Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State Statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were $210,692 and $141,925 for the year ended December 31, 2008, $165,535 and $132,679 for the year ended December 31, 2007, and $145,594 and $113,180 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 69.18 percent for police and 82.27 percent for firefighters has been contributed for 2008.

Note 13 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

To qualify for post-employment heath care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7 percent of covered payroll during 2008.

Note 13 - Postemployment Benefits (Continued)

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were $271,896, $191,836 and $128,475, respectively. 88.25 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2008. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

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

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

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

Funding Policy - OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401 (h) accounts as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401 (h).

Note 13 - Postemployment Benefits (Continued)

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OP&F plan.
The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were $111,543 and $55,536 for the year ended December 31, 2008, $87,636 and $51,918 for the year ended December 31, 2007, and $96,030 and $53,978 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 69.18 percent has been contributed for police and 82.27 percent has been contributed for firefighters for 2008.

Note 14 - Capital Leases

In the current year and in a prior year, the City entered into lease agreements for a rescue vehicle, a mower, two snow plows and two copiers. The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases". Capital lease payments have been reclassified and are reflected as debt service expenditures in the capital improvements fund on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized and depreciated as follows as of December 31, 2008:

Governmental Activities	
Capital Assets, being depreciated:	
Vehicles	$ 539,000
Copiers	79,532
Total capital assets, being depreciated	618,532
Less Accumulated Depreciation	(90,660)
Capital Assets, Net	$ 527,872

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2008.

Year Ending December 31,	Governmental Activities
2009	$ 131,825
2010	13,468
2011	13,469
2012	13,469
2013	1,925
Total	174,156
Less: Amount Representing Interest	(9,726)
Present Value of Net Minimum Lease Payments	$ 164,430

Note 15 - Notes Payable

Note activity for the year ended December 31, 2008, consisted of the following:

	Outstanding 12/31/07	Issued	Retired	Outstanding 12/31/08
Various improvement notes	$ 250,000	$ -	$ (250,000)	$ -
Shepard Road improvement notes	220,000	-	(220,000)	-
GO/special assessment bond anticipation notes	-	1,729,000	-	1,729,000
Various improvement notes	-	50,000	-	50,000
Total	$ 470,000	$ 1,779,000	$ (470,000)	$ 1,779,000

All the notes are backed by the full faith and credit of the City of Macedonia. The note liability is reflected in the fund which received the proceeds.

During 2008, the City paid $470,000 ($220,000 from the Shepard Road sanitary sewers fund and $250,000 from the road resurfacing fund) against the Shepard Road notes and various improvement notes and issued the remaining $250,000 in a new various purpose improvement note series 2008 note. The 2008 note has a maturity of May 29, 2009. $200,000 of the 2008 note has been presented as a long-term liability. The remaining $50,000 has been reported as a fund obligation. All proceeds have been spent as of December 31, 2008.

On September 26, 2008, the City issued $1,729,000 in bond anticipation notes for various special assessments with an interest rate of 2.75 percent and a maturity date of September 25, 2009 and has been reported as a fund obligation. All proceeds have been spent as of December 31, 2008.

Note 16 - Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
General Obligation Bonds			
Various Purpose, 2001	3.45-4.90 %	$ 8,355,000	December 1, 2016
Refunding Recreation Center, 2003	2.00-4.00	2,215,000	December 1, 2016
Special Assessments			
Highland Road Improvement Variance, 2003	2.00	1,260,000	December 1, 2023
Highland Road Improvement, 1996	6.25	294,100	December 1, 2016
North Freeway Drive, 2006	5.38	543,300	December 1, 2026
State Infrastructure Bank Loans			
Highland Road Grade Separation, 2006	3.00	610,279	December 1, 2016
State Route 82 Widening, 2007	3.00	2,742,578	December 1, 2017
State Route 82 Widening, 2008	3.00	1,190,172	June 6, 2018
Ohio Public Works Commission Loan (OPWC)	-	678,957	December 1, 2027
North Freeway Drive Project, 2005			
Long-term Note Payable			
Various Improvement Note Series 2007	3.85	250,000	May 30, 2008
Various Improvement Note Series 2008	2.60	250,000	May 29, 2009

Note 16 - Long-Term Obligations (Continued)

Changes in long-term obligations of the City during 2008 are as follows:

	Balance 12/31/07	Increase	Decrease	Balance 12/31/08	Amounts Due in One Year
General Obligation Bonds					
Various Purpose Bonds, 2001	$ 6,570,000	$ -	$ 340,000	$ 6,230,000	$ 700,000
Refunding Recreation Center, 2003					
Serial Bonds	1,415,000	-	160,000	1,255,000	165,000
Term Bonds	200,000	-	-	200,000	-
Premium	5,301	-	589	4,712	-
Deferred Loss on Refunding	(13,212)	-	(1,468)	(11,744)	-
Total General Obligation Bonds	8,177,089	-	499,121	7,677,968	865,000
Special Assessment Bonds with Governmental Commitment					
Highland Road Improvement Variance, 2003					
Serial Bonds	460,000	-	50,000	410,000	55,000
Term Bonds	605,000	-	-	605,000	-
Highland Road Improvement, 1996	177,500	-	15,300	162,200	16,200
North Freeway Drive, 2006	527,700	-	16,500	511,200	17,400
Total Special Assessment Bonds	1,770,200	-	81,800	1,688,400	88,600
State Infrastructure Bank Loans (SIB)					
Highland Road Grade Separation, 2006	407,000	203,279	-	610,279	65,515
State Route 82 Widening, 2007	1,422,931	1,319,647	-	2,742,578	155,203
State Route 82 Widening, 2008	-	1,190,172	-	1,190,172	-
Total State Infrastructure Banks Loans	1,829,931	2,713,098	-	4,543,029	220,718
Ohio Public Works Commission Loan (OPWC)					
North Freeway Drive Project, 2005	645,009	-	33,948	611,061	33,948
Long Term Notes					
Various Purpose Improvement Note Series 2007	250,000	-	250,000	-	-
Various Purpose Improvement Note Series 2008	-	200,000	-	200,000	200,000
Total Long Term Notes	250,000	200,000	250,000	200,000	200,000
Capital Leases	226,788	79,532	141,890	164,430	126,240
Compensated Absences Payable	526,365	183,898	120,324	589,939	37,008
Total Governmental Long-Term Liabilities	$ 13,425,382	$ 3,176,528	$ 1,127,083	$ 15,474,827	$ 1,571,514

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

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

Note 16 - Long-Term Obligations (Continued)

The State Infrastructure Bank Loans (SIB) will be paid from the general fund. The State Infrastructure Loan for State Route 82 Widening has not been finalized and therefore a repayment schedule is not included in the schedule of debt requirements. All proceeds have been spent by December 31, 2008.

The City has pledged a portion of future vehicle registration fees and motor vehicle tax to repay $610,279 in State Infrastructure Bank Loans issued in 2006 to finance the construction and repair of local roadways. These loans are payable solely from vehicle registration fees and motor vehicle tax and were projected to use twenty-nine percent of the available vehicle registration fees and motor vehicle tax revenue over the life of the loans. Total principal and interest remaining on the loans is $682,233 payable through 2016. There was no payment due for the current year and total vehicle registration fees and motor vehicle tax revenues were $85,528.

The City has pledged a portion of future income tax revenues to repay $3,932,750 in State Infrastructure Bank Loans issued in 2007 and 2008, to finance the construction and repair of local roadways. These loans are payable solely from income taxes and were projected to use two percent of the available income tax revenue over the life of the loans. The amortization schedule for these loans has not been finalized. There was no payment due for the current year and total income tax revenues were $8,106,300.

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

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

The various purpose notes were issued for road resurfacing. The notes were issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. The note matured in May, 2008. The note proceeds have been spent as of December 31, 2008.

On July 23, 2003, the City issued $1,260,000 in special assessment bonds with interest rates varying from 2.0 percent to 4.0 percent. The bond issue included serial and term bonds.

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

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

Year	Principal Amount
2016	$ 65,000
2017	70,000
2018	70,000
2019	75,000
2020	75,000
2021	80,000
2022	85,000

Note 16 - Long-Term Obligations (Continued)

Refunding Bonds

On July 23, 2003, the City issued $2,215,000 in general obligation bonds with interest rates varying from 2.0 percent to 4.0 percent. The bond issue included serial and term bonds. Proceeds were used to refund $2,099,000 of the outstanding 1998 Various Purpose Refunded Bonds. As a result these bonds were considered defeased and the liability for the refunded bonds has been removed from the basis financial statements. The balance outstanding for the bonds is $1,455,000 as of December 31, 2008.

The serial bonds for the recreation center refunding bonds were issued for a twelve year period with a final maturity at December 1, 2015. The bonds are being retired from the general obligation bond retirement fund.

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

Mandatory Sinking Fund Redemption - The bonds maturing on December 1, 2016 shall be term bonds subject to mandatory sinking redemption requirements. The mandatory redemption is to occur on December 1, 2016 in the amount of $200,000.

Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City’s legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2008, the City’s total debt margin was $35,059,826 (including available funds of $8,921) and the unvoted debt margin was $14,700,474.

Principal and interest requirements to retire the long-term obligations as of December 31, 2008, are as follows:

	General Obligation Bonds		Special Asssessment Bonds		OPWC Loans	SIB Loans	
Years	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2009	$ 865,000	$ 344,854	$ 88,600	$ 74,711	$ 33,948	$ 65,515	$ 16,971
2010	855,000	306,654	90,700	71,099	33,948	71,047	15,814
2011	895,000	271,072	92,700	67,364	33,948	73,194	13,667
2012	925,000	233,262	99,900	63,487	33,948	75,406	11,454
2013	970,000	73,413	102,200	59,297	33,948	77,686	9,175
2014 - 2018	3,175,000	301,185	526,800	225,358	169,740	247,431	13,151
2019 - 2023	-	-	565,100	127,536	169,740	-	-
2024 - 2027	-	-	122,400	11,776	101,841	-	-
Total	$ 7,685,000	$ 1,530,440	$1,688,400	$ 700,628	$ 611,061	$ 610,279	$ 80,232

Note 17 - Jointly Governed Organization

A. Northeast Ohio Public Energy Council (NOPEC)

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Macedonia did not contribute to NOPEC during 2008. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308 or at the website www.nopecinfo.org.

B. Regional Council of Governments

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 162 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2005.

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

Note 18 - Joint Venture

The City participates in the Northfield Center Township - Macedonia Joint Economic Development District (JEDD) which is created in accordance with sections 715.70 and 715.71 of the Ohio Revised Code. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The City and the Township shall work together to provide or cause to be provided, water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of six members, three from each the City and the Township. The Township members of the Board are the Township Trustees. The City members are the Mayor and two elected members of Council who are appointed to the Board by the Mayor and approved by Council. The Board adopted an annual budget for the JEDD and estimated the revenues and expenses of the operation of the JEDD. They also established the distribution of the income tax revenues. The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area. Continued existence of the JEDD is dependent on the City’s continued participation; however, the City does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. In 2008, the JEDD had total distributions of $435,542 of which $217,420 went to the City. Complete financial statements can be obtained from the Northfield Center Township-Macedonia Joint Economic Development District, City of Macedonia, Ohio.

Note 19 - Contingencies

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2008.

B. Litigation

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

Note 20 - Subsequent Event

Effective March, 30, 2009, Anna Musson became the City's Finance Director after Steven Brunot resigned from the position effective January 2, 2009. Anna Musson resigned as Finance Director effective June 25, 2009 and the Deputy Finance Director became Interim Finance Director by city charter.

On May 28, 2009, the City issued $200,000 in bond anticipation notes at an interest rate of 1.85%, maturing May 28, 2010. The proceeds of these notes were used to retire bond anticipation notes that matured on May 29, 2009.

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Mary Taylor, CPA
Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Macedonia, Summit County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted certain matters that we reported to the City's management in a separate letter dated August 12, 2009.

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Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 12, 2009.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 12, 2009

SCHEDULE OF FINDINGS
DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2008-001

Material Noncompliance

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Finance Director of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Finance Director. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Finance Director's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate –** If the Finance Director can certify that both at the time that the contract or order was made ("then"), and at the time that the Finance Director is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

   Amounts of less than $3,000 may be paid by the Finance Director without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. **Blanket Certificate –** Finance Directors may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. **Super Blanket Certificate –** The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Finance Director for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Nine out of 28, or 32.14%, of disbursements tested were improperly certified. Of these, three disbursements did not utilize a purchase order, five disbursements had purchase orders dated after the invoice date (one of which was not signed by the Finance Director), and one had a "then and now" certificate greater than $3,000 without council approval. None of the exceptions listed above were used.

FINDING NUMBER 2008-001 (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the Finance Director certify the funds are or will be available prior to the obligation by the City. When prior certification is not possible "then and now" certification should be used. In addition, the City should use purchase orders for all expenditures.

The City should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Finance Director should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Finance Director should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The City should also obtain a resolution or ordinance from Council for those expenditures over $3,000 needing a "Then and Now" certificate.

Official's Response: The City is committed to following state purchasing requirements and we will continue our efforts to resolve these issues.

CITY OF MACEDONIA
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Significant Deficiency - Capital Assets – Items were improperly valued and capitalized by the City.	No	Partially corrected – See the Management Letter
2007-002	Material Noncompliance – 5705.41(D) – Certain expenditures were not certified by the Finance Director prior to incurring the obligation.	No	Not Corrected - See Finding 2008-001

Mary Taylor, CPA
Auditor of State

CITY OF MACEDONIA

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 17, 2009