



Dave Yost • Auditor of State

**CITY OF MUNROE FALLS
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual: General Fund.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual: Fire Department Special Levy Fund.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual: EMS Special Levy Fund	22
Statement of Fund Net Position – Enterprise Fund	23
Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund.....	24
Statement of Cash Flows – Enterprise Fund	25
Statement of Fiduciary Assets and Liabilities – Agency Funds	27
Notes to the Basic Financial Statements	29
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability.....	61
Schedule of the City's Contributions	63
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	67
Schedule of Findings	69

THIS PAGE INTENTIONALLY LEFT BLANK.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Munroe Falls, Summit County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Munroe Falls, Summit County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Fire Department Special Levy Fund, and EMS Special Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Government adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2017

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The management's discussion and analysis of the City of Munroe Falls' (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2015 are:

- The City remains committed to promoting economic development. While available land is limited, efforts continue to encourage commercial and industrial development. To strengthen the business climate, the City, in conjunction with the Community Improvement Corporation, offers a revolving loan fund as an incentive for business development projects.
- Cost-controlling efforts, along with fund reserve balances, assure the residents of our community that the City will continue to maintain the highest level of public safety, recreation, and street maintenance. The City monitors its sources of revenue very closely for any changes or fluctuations and continually looks for new revenue sources.
- The City implemented GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources, and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements for the City.

Using This Financial Report

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

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

Reporting the City of Munroe Falls as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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

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

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position
- Program Revenue and Expenses
- General Revenues
- Net Position Beginning of Year and End of Year

Reporting the City of Munroe Falls' Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 10. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services and facilities provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Munroe Falls, the major funds are the general, fire department special levy, EMS special levy, capital improvement and water funds.

Governmental Funds

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

Proprietary Funds

The City's only proprietary fund (the water fund) is an enterprise fund which uses the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole.

Fiduciary Funds

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

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The City as a Whole

The *Statement of Net Position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2015 compared to 2014.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	\$4,232,924	\$4,643,740	\$2,210,189	\$2,862,716	\$6,443,113	\$7,506,456
Capital Assets, Net	6,494,987	6,416,108	3,885,349	2,947,340	10,380,336	9,363,448
<i>Total Assets</i>	<u>10,727,911</u>	<u>11,059,848</u>	<u>6,095,538</u>	<u>5,810,056</u>	<u>16,823,449</u>	<u>16,869,904</u>
Deferred Outflows of Resources						
Pension	257,246	157,258	12,942	8,524	270,188	165,782
Liabilities						
Current and Other Liabilities	133,195	204,202	44,948	263,283	178,143	467,485
Long-Term Liabilities:						
Due Within One Year	113,246	97,047	178,627	104,014	291,873	201,061
Due in More than One Year:						
Net Pension Liability	1,625,983	1,552,093	69,882	68,304	1,695,865	1,620,397
Other Amounts	302,370	271,817	1,447,655	896,468	1,750,025	1,168,285
<i>Total Liabilities</i>	<u>2,174,794</u>	<u>2,125,159</u>	<u>1,741,112</u>	<u>1,332,069</u>	<u>3,915,906</u>	<u>3,457,228</u>
Deferred Inflows of Resources						
Property Taxes	315,395	290,676	0	0	315,395	290,676
Pension	11,049	0	1,228	0	12,277	0
<i>Total Deferred Inflows of Resources</i>	<u>326,444</u>	<u>290,676</u>	<u>1,228</u>	<u>0</u>	<u>327,672</u>	<u>290,676</u>
Net Position						
Net Investment in Capital Assets	6,157,119	6,177,333	2,284,304	2,176,313	8,441,423	8,353,646
Restricted:						
Capital Projects	527,798	410,580	8,753	0	536,551	410,580
Debt Service	0	5,514	22,236	24,466	22,236	29,980
Street Maintenance and Repair	191,124	211,225	0	0	191,124	211,225
Fire Department	484,574	446,457	0	0	484,574	446,457
EMS	439,740	405,480	0	0	439,740	405,480
Other Purposes	163,961	151,782	0	0	163,961	151,782
Unrestricted	519,603	992,900	2,050,847	2,285,732	2,570,450	3,278,632
<i>Total Net Position</i>	<u>\$8,483,919</u>	<u>\$8,801,271</u>	<u>\$4,366,140</u>	<u>\$4,486,511</u>	<u>\$12,850,059</u>	<u>\$13,287,782</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net*

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation, as well as another restatement which is detailed in the notes to the basic financial statements, had the effect of restating net position at December 31, 2014, from \$10,196,106 to \$8,801,271 for governmental activities and from \$4,546,291 to \$4,486,511 for business-type activities.

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

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the years 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for Services and Sales	\$395,717	\$394,164	\$785,806	\$743,094	\$1,181,523	\$1,137,258
Operating Grants and Contributions	285,596	447,087	0	0	285,596	447,087
Capital Grants and Contributions	1,672	5,113	11,475	9,529	13,147	14,642
Total Program Revenues	682,985	846,364	797,281	752,623	1,480,266	1,598,987
General Revenues:						
Property Taxes	269,540	714,531	0	0	269,540	714,531
Income Tax	1,201,708	1,204,960	0	0	1,201,708	1,204,960
Grants and Entitlements not Restricted to Specific Programs	198,752	212,781	0	0	198,752	212,781
Unrestricted Contributions	3,894	3,006	0	0	3,894	3,006
Gain on Sale of Capital Asset	0	11,270	0	0	0	11,270
Interest	60,465	52,251	0	0	60,465	52,251
Other	95,465	133,002	9,959	10,134	105,424	143,136
Total General Revenues	1,829,824	2,331,801	9,959	10,134	1,839,783	2,341,935
Total Revenues	2,512,809	3,178,165	807,240	762,757	3,320,049	3,940,922
Program Expenses:						
General Government	834,431	716,974	0	0	834,431	716,974
Security of Persons and Property	1,538,036	1,575,227	0	0	1,538,036	1,575,227
Transportation	331,883	480,743	0	0	331,883	480,743
Public Health and Welfare	39,519	39,818	0	0	39,519	39,818
Leisure Time Activities	76,658	70,304	0	0	76,658	70,304
Interest and Fiscal Charges	9,745	32,078	0	0	9,745	32,078
Water Operations	0	0	927,500	907,895	927,500	907,895
Total Program Expenses	2,830,272	2,915,144	927,500	907,895	3,757,772	3,823,039
Excess of Revenues Over (Under) Expenses	(317,463)	263,021	(120,260)	(145,138)	(437,723)	117,883
Transfers	111	257	(111)	(257)	0	0
Change in Net Position	(317,352)	263,278	(120,371)	(145,395)	(437,723)	117,883
Net Position Beginning of Year	8,801,271	N/A	4,486,511	N/A	13,287,782	N/A
Net Position End of Year	\$8,483,919	\$8,801,271	\$4,366,140	\$4,486,511	\$12,850,059	\$13,287,782

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$165,782 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$173,268. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

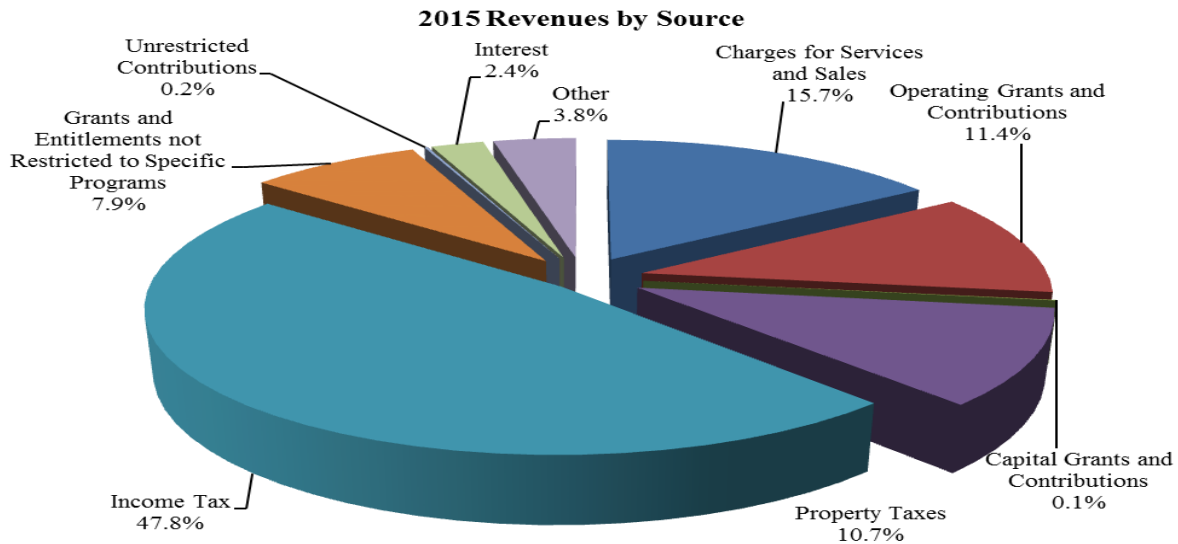
	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$2,830,272	\$927,500	\$3,757,772
Pension expense under GASB 68	(165,667)	(7,601)	(173,268)
2015 contractually required contribution	180,716	9,213	189,929
Adjusted 2015 program expenses	2,845,321	929,112	3,774,433
Total 2014 program expenses under GASB 27	2,915,144	907,895	3,823,039
Increase (Decrease) in program expenses not related to pension	(\$69,823)	\$21,217	(\$48,606)

Governmental Activities

Several revenue sources fund the City's governmental activities with City income tax being the largest. An income tax of 2 percent is levied on substantially all income earned within the City. In addition, income of residents earned outside of the City is subject to income tax; however, credit is allowed for income taxes paid to other municipalities and to the Joint Economic Development District up to 100 percent of the City's current tax rate. Income tax revenue was consistent with 2014.

General revenues from property taxes and local government funds are also significant revenue generators. Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January of that preceding year, the lien date. Assessed values are established by the County Fiscal Officer at 35 percent of the appraised market value. All property is required to be revalued every six years with triennial updates. Property tax revenues decreased by \$444,991 due to the non-renewal of an operating levy.

Grants and entitlements not restricted to specific programs were lower than the prior year due to a decrease in homestead and rollback due to the general property tax levy expiring. Investment income for 2015 was higher than 2014 as interest rates on investments increased over the prior year. Operating grants and contributions decreased from the prior year due to a decrease in grants from State and Federal sources. Capital grants and contributions decreased for the same reason.

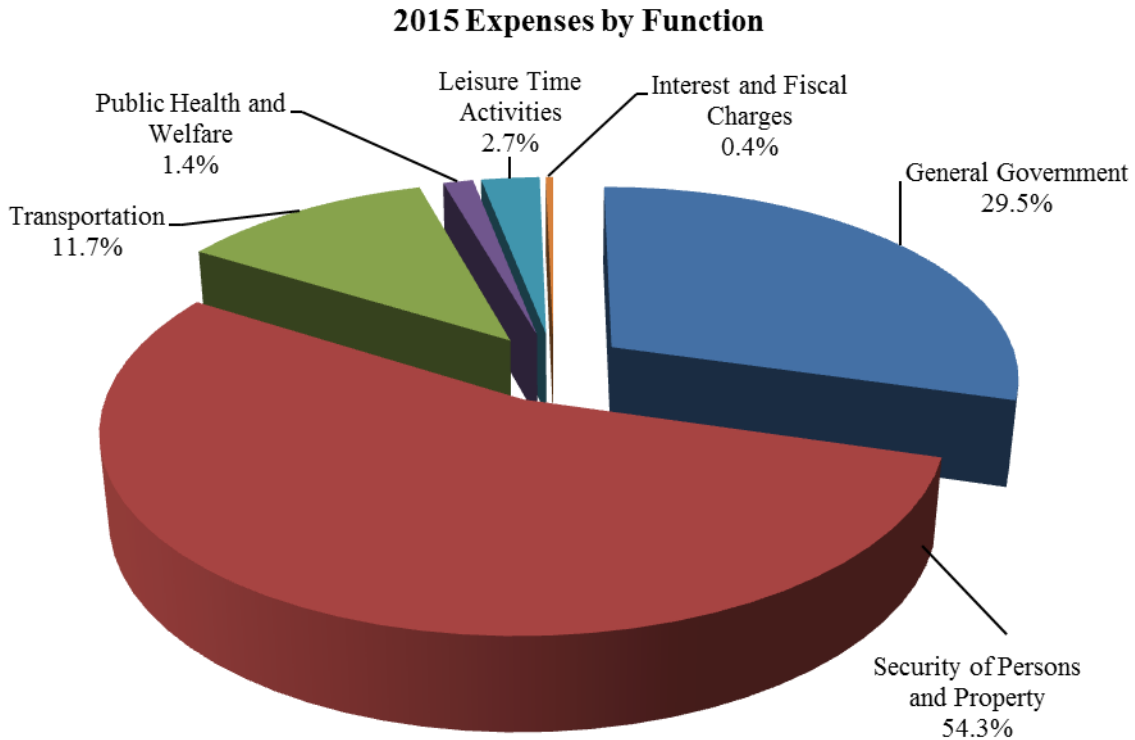


City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

General government expenses include such services as planning, zoning, administration, finance, legal, legislature, and engineering. These expenses were higher than the prior year due to higher contractual services.

The police department continues to operate very efficiently utilizing full and part time personnel. The police department is funded primarily from revenues generated through the general fund. The fire department is primarily a volunteer force and works from two fire stations. Operations are funded primarily through fire and EMS special levies and rescue billing collections. For 2015, security of persons and property spending was carefully monitored and was slightly lower than the prior year.

Transportation costs include street lighting, snow and ice removal and the costs of maintaining the City streets. These costs were also lower than 2014 due to lower personal services expense.



The City's Funds

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

Governmental Funds

Information about the City's governmental funds begins on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,577,220 and expenditures of \$3,050,962. The most significant fund is the general fund with a year end balance of \$1,729,675, which included an unassigned fund balance of \$1,207,762, compared to annual expenditures of \$1,975,219. The City focuses on its governmental funds to provide a financial picture of activities as

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2015. The information provided is useful to determine the City's available balances. At December 31, 2015, the City's combined ending governmental cash and cash equivalents balance was \$3,092,238. Along those same lines, the City's 2015 ending combined governmental fund balance is \$3,465,550.

The fire department special levy and EMS special levy special revenue funds had revenues of \$170,865 and \$339,852, respectively. Both funds had an increase of fund balance, ending the year with fund balances of \$465,118 and \$445,442, respectively.

The capital improvement capital projects fund had a fund balance of \$288,212, and an ending cash and cash equivalents balance of \$252,799. Revenues for the year were \$285,079, with expenditures of \$318,648.

Business-Type Fund

As mentioned earlier, the City's lone business-type activity is the water fund. Net position of the water fund decreased in 2015 by \$120,371. While revenues were higher than the prior year, expenses outpaced revenues, which lead to the decrease.

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

General Fund Budgeting Highlights

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

The most significant budgeted fund is the general fund. The general fund supports many major activities such as the police, building and planning departments as well as the legislative and most executive activities. Some major capital projects are funded with general fund dollars. By legislation, these funds are transferred from the general fund to capital projects funds where the revenue and expenditures for the capital improvement are tracked and monitored. For the general fund, the original budgeted revenues were \$1,651,300 and the final budgeted amount was \$1,625,435. The majority of this \$25,865 difference was due to lower than anticipated income tax revenue. Actual revenues of \$1,470,888 were lower than final budgeted revenues mainly due to lower than anticipated fines, licenses and permits revenue. The City continued to maintain a respectable level of liquidity in the general fund by reducing final expenditures and thus maintaining unrestricted cash at year end. The variance from final budget to actual expenditures in general government was due to a concerted effort by the City to reduce expenditures.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,608,396	\$1,608,396	\$31,689	\$31,689	\$1,640,085	\$1,640,085
Construction in Progress	0	0	537,402	235,595	537,402	235,595
Land Improvements	179,692	196,310	0	0	179,692	196,310
Buildings and Improvements	2,316,896	2,359,379	527,659	546,523	2,844,555	2,905,902
Equipment	1,017,132	930,189	423,802	332,683	1,440,934	1,262,872
Infrastructure	1,372,871	1,321,834	2,364,797	1,800,850	3,737,668	3,122,684
Totals	<u>\$6,494,987</u>	<u>\$6,416,108</u>	<u>\$3,885,349</u>	<u>\$2,947,340</u>	<u>\$10,380,336</u>	<u>\$9,363,448</u>

Total governmental capital assets for the City of Munroe Falls as of December 31, 2015, were \$6,494,987, which was an increase of \$78,879 from the prior year due to additions outpacing depreciation. Additions were primarily made to equipment and infrastructure. Business-type capital assets also increased over the prior year due to the purchase of water meters and readers and waterlines. For additional information see Note 9 to the basic financial statements.

Debt Administration

On December 31, 2015, the City of Munroe Falls had \$1,968,660 in outstanding debt from general obligation bonds, capital appreciation bonds and capital leases. This represents obligations backed by the full faith and credit of the City. Table 4 summarizes bonds and loans outstanding as of December 31, 2015.

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Capital Asset Acquisition Bonds - 2011						
General Obligation Bonds	\$75,000	\$100,000	\$345,000	\$370,000	\$420,000	\$470,000
Premium on Bonds	4,510	6,014	16,484	17,982	20,994	23,996
Capital Leases	262,868	138,775	1,264,798	612,500	1,527,666	751,275
Totals	<u>\$342,378</u>	<u>\$244,789</u>	<u>\$1,626,282</u>	<u>\$1,000,482</u>	<u>\$1,968,660</u>	<u>\$1,245,271</u>

The general obligation bonds and capital appreciation bonds were for the city hall, safety building expansion, water improvements, and capital asset acquisitions, and are paid from property tax levies in the bond retirement fund and charges for services in the water fund. For additional information see Note 13 to the basic financial statements.

The capital leases were for the lease-purchase of a new fire truck in 2004 and for the lease purchase of a dump truck, excavator, leaf vacuum and water meters and meter readers in 2014, and waterlines, two snow plow trucks and two EMS cots in 2015. For additional information, see Note 8 to the basic financial statements.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Current Financial Related Activities

The City of Munroe Falls is challenged with limited area for the expansion and development of its industrial and commercial property base and relies on its current tax base for the general operations of the City. The City has implemented policies establishing debt limits and fund balance reserves. These policies, integrated with a comprehensive five-year budgeting forecast, provide a stable financial plan for future capital improvements without jeopardizing liquidity and reserve balance requirements. The City has historically maintained strong financial stability with these tools in place. However, the non-renewal of operating levies has negatively impacted the City's ability to maintain these fund balances. Despite efforts to reduce spending and maintain general operations, the City's fund balance will continue to deplete until the revenue stream is restored.

The City's water utility program has plans underway to enhance operations with an automated meter reading system. The City continues its long range planning for the water utility infrastructure needs.

The City's administration is very committed to efficiency in operations and maintaining costs while providing residents with a multitude of services. In addition, the City will continue its transparency in reporting the financial position of the City.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions regarding this report or financial information, please contact: Karen Reynolds, CGFM, Finance Director, 43 Munroe Falls Avenue, Munroe Falls, OH 44262, or email admin@munroefalls.com.

City of Munroe Falls, Ohio

Statement of Net Position

December 31, 2015

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,849,498	\$2,001,002	\$4,850,500
Cash and Cash Equivalents With Fiscal Agents	242,740	22,920	265,660
Materials and Supplies Inventory	69,803	3,515	73,318
Accrued Interest Receivable	6,638	0	6,638
Accounts Receivable	122,476	171,194	293,670
Intergovernmental Receivable	243,851	4,146	247,997
Prepaid Items	29,495	7,412	36,907
Income Taxes Receivable	337,229	0	337,229
Property Taxes Receivable	331,194	0	331,194
Nondepreciable Capital Assets	1,608,396	569,091	2,177,487
Depreciable Capital Assets, Net	4,886,591	3,316,258	8,202,849
<i>Total Assets</i>	<u>10,727,911</u>	<u>6,095,538</u>	<u>16,823,449</u>
Deferred Outflows of Resources			
Deferred Outflows - OPERS	116,473	12,942	129,415
Deferred Outflows - OPF	140,773	0	140,773
<i>Total Deferred Outflows of Resources</i>	<u>257,246</u>	<u>12,942</u>	<u>270,188</u>
Liabilities			
Accounts Payable	27,228	4,428	31,656
Accrued Wages	63,326	8,887	72,213
Intergovernmental Payable	41,078	2,961	44,039
Retainage Payable	0	22,920	22,920
Accrued Interest Payable	1,563	5,752	7,315
Long-Term Liabilities:			
Due Within One Year	113,246	178,627	291,873
Due In More Than One Year:			
Net Pension Liability (See Note 10)	1,625,983	69,882	1,695,865
Other Amounts Due in More Than One Year	302,370	1,447,655	1,750,025
<i>Total Liabilities</i>	<u>2,174,794</u>	<u>1,741,112</u>	<u>3,915,906</u>
Deferred Inflows of Resources			
Property Taxes	315,395	0	315,395
Deferred Inflows - OPERS	11,049	1,228	12,277
<i>Total Deferred Inflows of Resources</i>	<u>326,444</u>	<u>1,228</u>	<u>327,672</u>
Net Position			
Net Investment in Capital Assets	6,157,119	2,284,304	8,441,423
Restricted for:			
Capital Projects	527,798	8,753	536,551
Debt Service	0	22,236	22,236
Street Maintenance and Repair	191,124	0	191,124
Fire Department	484,574	0	484,574
EMS	439,740	0	439,740
Other Purposes	163,961	0	163,961
Unrestricted	519,603	2,050,847	2,570,450
<i>Total Net Position</i>	<u>\$8,483,919</u>	<u>\$4,366,140</u>	<u>\$12,850,059</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Activities
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$834,431	\$110,391	\$478	\$0
Security of Persons and Property	1,538,036	266,193	39,530	0
Transportation	331,883	8,583	245,588	1,672
Public Health and Welfare	39,519	4,463	0	0
Leisure Time Activities	76,658	6,087	0	0
Interest and Fiscal Charges	9,745	0	0	0
<i>Total Governmental Activities</i>	2,830,272	395,717	285,596	1,672
Business-Type Activity:				
Water	927,500	785,806	0	11,475
<i>Total</i>	<u>\$3,757,772</u>	<u>\$1,181,523</u>	<u>\$285,596</u>	<u>\$13,147</u>

General Revenues

Property Taxes Levied for:

Fire Department

EMS

Income Tax Levied for:

General Purposes

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Contributions

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
(\$723,562)	\$0	(\$723,562)
(1,232,313)	0	(1,232,313)
(76,040)	0	(76,040)
(35,056)	0	(35,056)
(70,571)	0	(70,571)
(9,745)	0	(9,745)
(2,147,287)	0	(2,147,287)
<u>0</u>	<u>(130,219)</u>	<u>(130,219)</u>
<u>(2,147,287)</u>	<u>(130,219)</u>	<u>(2,277,506)</u>
126,346	0	126,346
143,194	0	143,194
904,644	0	904,644
297,064	0	297,064
198,752	0	198,752
3,894	0	3,894
60,465	0	60,465
95,465	9,959	105,424
1,829,824	9,959	1,839,783
<u>111</u>	<u>(111)</u>	<u>0</u>
<u>1,829,935</u>	<u>9,848</u>	<u>1,839,783</u>
(317,352)	(120,371)	(437,723)
<u>8,801,271</u>	<u>4,486,511</u>	<u>13,287,782</u>
<u>\$8,483,919</u>	<u>\$4,366,140</u>	<u>\$12,850,059</u>

City of Munroe Falls, Ohio

Balance Sheet

Governmental Funds

December 31, 2015

	<u>General</u>	<u>Fire Department Special Levy</u>	<u>EMS Special Levy</u>	<u>Capital Improvement</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,357,533	\$472,984	\$381,943	\$186,921
Cash and Cash Equivalents With Fiscal Agents	176,862	0	0	65,878
Materials and Supplies Inventory	34,620	0	0	0
Accrued Interest Receivable	6,638	0	0	0
Accounts Receivable	19,152	0	79,454	0
Intergovernmental Receivable	103,798	12,455	17,616	0
Prepaid Items	14,118	197	803	12,882
Income Taxes Receivable	268,115	0	0	69,114
Property Taxes Receivable	0	155,246	175,948	0
<i>Total Assets</i>	<u>\$1,980,836</u>	<u>\$640,882</u>	<u>\$655,764</u>	<u>\$334,795</u>
Liabilities				
Accounts Payable	\$17,169	\$0	\$1,819	\$3,398
Accrued Wages	40,985	6,654	13,247	0
Intergovernmental Payable	31,729	1,409	5,192	0
<i>Total Liabilities</i>	<u>89,883</u>	<u>8,063</u>	<u>20,258</u>	<u>3,398</u>
Deferred Inflows of Resources				
Property Taxes	0	147,841	167,554	0
Unavailable Revenue	161,278	19,860	22,510	43,185
<i>Total Deferred Inflows of Resources</i>	<u>161,278</u>	<u>167,701</u>	<u>190,064</u>	<u>43,185</u>
Fund Balances				
Nonspendable	48,738	197	803	12,882
Restricted	0	464,921	444,639	275,330
Committed	74,726	0	0	0
Assigned	398,449	0	0	0
Unassigned	1,207,762	0	0	0
<i>Total Fund Balances</i>	<u>1,729,675</u>	<u>465,118</u>	<u>445,442</u>	<u>288,212</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,980,836</u>	<u>\$640,882</u>	<u>\$655,764</u>	<u>\$334,795</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2015*

Other Governmental Funds	Total Governmental Funds
\$450,117	\$2,849,498
0	242,740
35,183	69,803
0	6,638
23,870	122,476
109,982	243,851
1,495	29,495
0	337,229
0	331,194
<u>\$620,647</u>	<u>\$4,232,924</u>
\$4,842	\$27,228
2,440	63,326
2,748	41,078
<u>10,030</u>	<u>131,632</u>
0	315,395
73,514	320,347
<u>73,514</u>	<u>635,742</u>
36,678	99,298
450,578	1,635,468
49,847	124,573
0	398,449
0	1,207,762
<u>537,103</u>	<u>3,465,550</u>
<u>\$620,647</u>	<u>\$4,232,924</u>

Total Governmental Fund Balances	\$3,465,550
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,494,987
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	15,799
Income Taxes	161,777
Intergovernmental	142,771
Total	<u>320,347</u>
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(1,563)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(75,000)
Premium on Bonds	(4,510)
Capital Leases	(262,868)
Compensated Absences	(73,238)
Total	<u>(415,616)</u>
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	257,246
Net Pension Liability	(1,625,983)
Deferred Inflows - Pension	(11,049)
Total	<u>(1,379,786)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$8,483,919</u></u>

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Fire Department Special Levy	EMS Special Levy	Capital Improvement
Revenues				
Property Taxes	\$1,512	\$138,621	\$157,104	\$0
Income Taxes	923,294	0	0	278,862
Special Assessments	0	0	0	0
Intergovernmental	196,700	32,244	25,996	0
Interest	58,376	0	0	0
Fines, Licenses and Permits	218,248	0	0	0
Charges for Services	0	0	153,672	0
Contributions and Donations	3,894	0	0	1,672
Other	71,064	0	3,080	4,545
<i>Total Revenues</i>	<u>1,473,088</u>	<u>170,865</u>	<u>339,852</u>	<u>285,079</u>
Expenditures				
Current:				
General Government	792,352	1,495	4,649	0
Security of Persons and Property	1,013,437	131,948	270,046	0
Transportation	76,008	0	0	0
Public Health and Welfare	39,519	0	0	0
Leisure Time Activities	53,903	0	0	0
Capital Outlay	0	0	0	266,523
Debt Service:				
Principal Retirement	0	0	27,245	46,499
Interest and Fiscal Charges	0	0	6,300	5,626
<i>Total Expenditures</i>	<u>1,975,219</u>	<u>133,443</u>	<u>308,240</u>	<u>318,648</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(502,131)</u>	<u>37,422</u>	<u>31,612</u>	<u>(33,569)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	0	31,425	141,412
Transfers In	480	0	0	0
Transfers Out	0	(135)	(135)	0
<i>Total Other Financing Sources (Uses)</i>	<u>480</u>	<u>(135)</u>	<u>31,290</u>	<u>141,412</u>
<i>Net Change in Fund Balances</i>	(501,651)	37,287	62,902	107,843
<i>Fund Balances Beginning of Year</i>	<u>2,231,326</u>	<u>427,831</u>	<u>382,540</u>	<u>180,369</u>
<i>Fund Balances End of Year</i>	<u>\$1,729,675</u>	<u>\$465,118</u>	<u>\$445,442</u>	<u>\$288,212</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015*

Other Governmental Funds	Total Governmental Funds
\$0	\$297,237
0	1,202,156
21,425	21,425
260,144	515,084
2,089	60,465
2,372	220,620
0	153,672
5,530	11,096
16,776	95,465
308,336	2,577,220
25,408	823,904
4,778	1,420,209
280,284	356,292
0	39,519
0	53,903
4,942	271,465
0	73,744
0	11,926
315,412	3,050,962
(7,076)	(473,742)
0	172,837
0	480
(99)	(369)
(99)	172,948
(7,175)	(300,794)
544,278	3,766,344
\$537,103	\$3,465,550

Net Change in Fund Balances - Total Governmental Funds (\$300,794)

**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 outlay exceeded depreciation in the current period.	78,879
Capital Asset Additions	396,700
Current Year Depreciation	(317,821)
Total	78,879
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(64,411)
Delinquent Property Taxes	(27,697)
Income Taxes	(448)
Intergovernmental	(36,266)
Total	(64,411)
Other financing sources, such as an inception of capital lease, in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities.	(172,837)
Repayment of debt principal and capital appreciation interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	73,744
In the statement of activities, interest is accrued on outstanding bonds, and bond premiums are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when due.	2,181
Accrued Interest	677
Amortization of Bond Premium	1,504
Total	2,181
Some expenses, such as compensated absences, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	50,837
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	180,716
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(165,667)
Change in Net Position of Governmental Activities	(\$317,352)

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$0	\$0	\$1,512	\$1,512
Income Taxes	1,039,100	903,620	906,920	3,300
Intergovernmental	114,900	114,900	205,191	90,291
Interest	75,799	92,507	54,455	(38,052)
Fines, Licenses and Permits	312,133	380,933	224,239	(156,694)
Contributions and Donations	5,420	6,615	3,894	(2,721)
Other	103,948	126,860	74,677	(52,183)
<i>Total Revenues</i>	<u>1,651,300</u>	<u>1,625,435</u>	<u>1,470,888</u>	<u>(154,547)</u>
Expenditures				
Current:				
General Government	631,310	779,674	776,547	3,127
Security of Persons and Property	1,087,906	1,104,906	1,065,546	39,360
Transportation	89,814	89,814	85,720	4,094
Public Health and Welfare	39,520	39,520	39,519	1
Leisure Time Activities	60,795	60,795	56,328	4,467
<i>Total Expenditures</i>	<u>1,909,345</u>	<u>2,074,709</u>	<u>2,023,660</u>	<u>51,049</u>
<i>Excess of Revenues Under Expenditures</i>	(258,045)	(449,274)	(552,772)	(103,498)
Other Financing Uses				
Transfers Out	(520)	(520)	(520)	0
<i>Net Change in Fund Balance</i>	(258,565)	(449,794)	(553,292)	(103,498)
<i>Fund Balance Beginning of Year</i>	1,930,742	1,930,742	1,930,742	0
Prior Year Encumbrances Appropriated	41,500	41,500	41,500	0
<i>Fund Balance End of Year</i>	<u>\$1,713,677</u>	<u>\$1,522,448</u>	<u>\$1,418,950</u>	<u>(\$103,498)</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Department Special Levy Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$138,497	\$136,940	\$138,621	\$1,681
Intergovernmental	23,167	22,907	32,244	9,337
Other	2,550	2,637	0	(2,637)
<i>Total Revenues</i>	<u>164,214</u>	<u>162,484</u>	<u>170,865</u>	<u>8,381</u>
Expenditures				
Current:				
General Government	2,500	2,500	1,495	1,005
Security of Persons and Property	199,851	199,851	129,543	70,308
<i>Total Expenditures</i>	<u>202,351</u>	<u>202,351</u>	<u>131,038</u>	<u>71,313</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(38,137)	(39,867)	39,827	79,694
Other Financing Uses				
Transfers Out	(135)	(135)	(135)	0
<i>Net Change in Fund Balance</i>	(38,272)	(40,002)	39,692	79,694
<i>Fund Balance Beginning of Year</i>	425,061	425,061	425,061	0
Prior Year Encumbrances Appropriated	5,722	5,722	5,722	0
<i>Fund Balance End of Year</i>	<u>\$392,511</u>	<u>\$390,781</u>	<u>\$470,475</u>	<u>\$79,694</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
EMS Special Levy Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$156,964	\$155,200	\$157,104	\$1,904
Intergovernmental	26,255	25,961	22,496	(3,465)
Charges for Services	163,398	211,292	134,306	(76,986)
<i>Total Revenues</i>	<u>346,617</u>	<u>392,453</u>	<u>313,906</u>	<u>(78,547)</u>
Expenditures				
Current:				
General Government	3,140	3,140	4,649	(1,509)
Security of Persons and Property	363,821	397,421	334,422	62,999
Debt Service:				
Principal Retirement	27,245	27,245	27,245	0
Interest and Fiscal Charges	6,300	6,300	6,300	0
<i>Total Expenditures</i>	<u>400,506</u>	<u>434,106</u>	<u>372,616</u>	<u>61,490</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(53,889)</u>	<u>(41,653)</u>	<u>(58,710)</u>	<u>(17,057)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	0	31,425	31,425
Transfers Out	(135)	(135)	(135)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(135)</u>	<u>(135)</u>	<u>31,290</u>	<u>31,425</u>
<i>Net Change in Fund Balance</i>	(54,024)	(41,788)	(27,420)	14,368
<i>Fund Balance Beginning of Year</i>	340,082	340,082	340,082	0
Prior Year Encumbrances Appropriated	10,841	10,841	10,841	0
<i>Fund Balance End of Year</i>	<u>\$296,899</u>	<u>\$309,135</u>	<u>\$323,503</u>	<u>\$14,368</u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2015

	Water
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$2,001,002
Cash and Cash Equivalents With Fiscal Agents	22,920
Materials and Supplies Inventory	3,515
Accounts Receivable	171,194
Intergovernmental Receivable	4,146
Prepaid Items	7,412
<i>Total Current Assets</i>	2,210,189
<i>Non-Current Assets:</i>	
Nondepreciable Capital Assets	569,091
Depreciable Capital Assets, Net	3,316,258
<i>Total Non-Current Assets</i>	3,885,349
<i>Total Assets</i>	6,095,538
Deferred Outflows of Resources	
Deferred Outflows - OPERS	12,942
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	4,428
Accrued Wages	8,887
Intergovernmental Payable	2,961
Retainage Payable	22,920
Accrued Interest Payable	5,752
General Obligation Bonds Payable	25,000
Capital Leases Payable	153,627
<i>Total Current Liabilities</i>	223,575
<i>Long-Term Liabilities (net of current portion):</i>	
General Obligation Bonds Payable	336,484
Capital Leases Payable	1,111,171
Net Pension Liability (See Note 10)	69,882
<i>Total Long-Term Liabilities</i>	1,517,537
<i>Total Liabilities</i>	1,741,112
Deferred Inflows of Resources	
Deferred Inflows - OPERS	1,228
Net Position	
Net Investment in Capital Assets	2,284,304
Restricted for:	
Capital Projects	8,753
Debt Service	22,236
Unrestricted	2,050,847
<i>Total Net Position</i>	\$4,366,140

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Enterprise Fund
For the Year Ended December 31, 2015*

	Water
Operating Revenues	
Charges for Services	\$785,806
Other	9,959
	795,765
Operating Expenses	
Personal Services	292,289
Contractual Services	413,928
Materials and Supplies	28,742
Depreciation	156,103
	891,062
<i>Total Operating Expenses</i>	<i>891,062</i>
<i>Operating Loss</i>	<i>(95,297)</i>
Non-Operating Expenses	
Interest and Fiscal Charges	(36,438)
	(36,438)
<i>Loss before Capital Contributions and Transfers</i>	<i>(131,735)</i>
Capital Contributions	11,475
Transfers Out	(111)
	11,364
<i>Change in Net Position</i>	<i>(120,371)</i>
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<i>4,486,511</i>
<i>Net Position End of Year</i>	<i>\$4,366,140</i>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2015

	Water
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$768,429
Other Cash Receipts	9,959
Cash Payments to Employees for Services	(300,294)
Cash Payments for Goods and Services	(462,718)
<i>Net Cash Provided by Operating Activities</i>	15,376
Cash Flows from Noncapital Financing Activities	
Transfers Out	(111)
Cash Flows from Capital and Related Financing Activities	
Capital Grants Received	7,329
Inception of Capital Lease	741,413
Payments for Capital Acquisitions	(1,279,887)
Principal Paid on General Obligation Bonds	(25,000)
Principal Paid on Capital Leases	(89,115)
Interest Paid on General Obligation Bonds	(15,650)
Interest Paid on Capital Leases	(23,018)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(683,928)
<i>Net Decrease in Cash and Cash Equivalents</i>	(668,663)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,692,585
<i>Cash and Cash Equivalents End of Year</i>	\$2,023,922
	(continued)

City of Munroe Falls, Ohio
Statement of Cash Flows
Enterprise Fund (continued)
For the Year Ended December 31, 2015

	Water
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(\$95,297)
Adjustments:	
Depreciation	156,103
(Increase) Decrease in Assets:	
Accounts Receivable	(17,377)
Materials and Supplies Inventory	(2)
Prepaid Items	5,389
Decrease in Deferred Outflows - Pension	243
Increase (Decrease) in Liabilities:	
Accounts Payable	(179)
Accrued Wages	70
Intergovernmental Payable	(31,719)
Net Pension Liability	(1,288)
Decrease in Deferred Inflows - Pension	(567)
<i>Net Cash Provided by Operating Activities</i>	\$15,376

Noncash Capital Financing Activities

At December 31, 2014, the City had accounts payable related to the acquisition of capital assets of \$208,695.

At December 31, 2015, the City had retainage payable related to the acquisition of capital assets of \$22,920.

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2015

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$53,547</u></u>
Liabilities	
Undistributed Monies	<u><u>\$53,547</u></u>

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 1 – Description of the City and Reporting Entity

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

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

Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

Fund Accounting

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

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

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

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

EMS Special Levy Fund The EMS special levy special revenue fund accounts for and reports property tax collections restricted to support EMS services in the City and 50 percent of full-time fire department salaries and fringe benefits.

Capital Improvement Fund The capital improvement capital projects fund accounts for and reports income tax collections restricted for various capital projects within the City.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The City's only proprietary fund is an enterprise fund:

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

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

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

Measurement Focus

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

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

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

Basis of Accounting

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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), fines and forfeitures, interest, grants and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include pension reported in the government-wide statement of net position. The deferred outflows related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 10).

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

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Cash and Cash Equivalents

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

The City utilizes a financial institution to service a capital lease agreement as payments come due. The balances in these accounts are presented on the statement of fund net position as "Cash and Cash Equivalents with Fiscal Agents."

During 2015, investments were limited to federal home loan bank bonds, federal home loan mortgage corporation bonds, federal national mortgage association bonds, and federal agriculture mortgage corporation bonds.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$58,376, which includes \$28,373 assigned from other City funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

Inventory

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

Capital Assets

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

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Description	Governmental Activities Estimated Lives	Business-Type Activity Estimated Lives
Land Improvements	25-35 years	N/A
Buildings and Improvements	25-60 years	25-60 years
Equipment	4-25 years	4-25 years
Infrastructure	50-70 years	50-70 years

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

Compensated Absences

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Accrued Liabilities and Long-term Obligations

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

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (ordinance or resolution, as both are equally legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance or by State statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in the 2016 appropriated budget.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

Net Position

Net position represents the difference between all other elements in the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes included resources which will be used for security of persons and property, transportation, public health and welfare, and leisure time activities.

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

Operating Revenues and Expenses

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

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

Bond Premiums

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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.

Minimum Fund Balance Policy

The governing council has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) in the general fund. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a “revenue” source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within a three-year period.

Budgetary Process

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

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

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of resources restricted to capital acquisition and construction.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 3 – Change in Accounting Principle and Restatement of Net Position

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business -Type Activity
Net Position December 31, 2014	\$10,196,106	\$4,546,291
Adjustments:		
Net Pension Liability	(1,552,093)	(68,304)
Deferred Outflow - Payments Subsequent to Measurement Date	157,258	8,524
Restated Net Position December 31, 2014	\$8,801,271	\$4,486,511

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Compliance

Contrary to Ohio Revised Code Section 5705.41(B), the following funds had expenditures plus encumbrances in excess of final appropriations as of December 31, 2015:

	Final	Actual	Variance
General Fund:			
General Government:			
Finance/Tax:			
Personal Services	\$132,264	\$168,302	(\$36,038)
Civil Service and Charter Review			
Personal Services	2,136	2,168	(32)
Mayor's and Administrative Offices			
Personal Services	83,380	93,172	(9,792)
EMS Special Levy Fund:			
General Government:			
County Auditor/Treasurer Fees:			
Contractual Services	3,140	4,649	(1,509)

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 5 – Budgetary Basis of Accounting

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

The major differences between the GAAP basis and the budget basis are:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Investments are reported at fair value (GAAP) rather than cost (budget).
3. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
4. Budgetary revenues and expenditures of the compensated absences fund are reclassified to the general fund for GAAP reporting.
5. Encumbrances are treated as expenditures (budget) rather than as restricted, committed, or assigned fund balance (GAAP).

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

Net Change in Fund Balance			
General and Major Special Revenue Funds			
	General	Fire Department Special Levy	EMS Special Levy
GAAP Basis	(\$501,651)	\$37,287	\$62,902
Adjustment for Revenue Accruals	1,237	0	(25,946)
Beginning Fair Value Adjustment for Investments	(33,840)	0	0
Ending Fair Value Adjustment for Investments	28,923	0	0
Adjustment for Expenditure Accruals	44,881	4,914	(8,136)
Perspective Difference:			
Compensated Absences	(23,200)	0	0
Adjustment for Encumbrances	(69,642)	(2,509)	(56,240)
Budget Basis	(\$553,292)	\$39,692	(\$27,420)

Note 6 – Deposits and Investments

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

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, Federal National Mortgage Association, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

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

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

At year end, the City had \$2,900 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents.”

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City’s deposits may not be returned to it. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge security for repayment of all public moneys. The City has no investment policy dealing with deposit custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the Finance Director or an agent designated by the Finance Director.

At year-end, the carrying amount of the City's deposits was \$3,318,393 and the bank balance was \$3,611,109. Of the uninsured bank balance of \$316,610, all was collateralized with securities held by the pledging institution’s trust department, not in the City’s name.

Investments

As of December 31, 2015, the City had the following investments:

Investment Type	Investment Maturities (in Years)			
	Less than 1	1-2	2-3	3-5
Federal Home Loan Bank Bonds	81,738	0	546,119	0
Federal Home Loan Mortgage Corporation Bonds	0	299,430	195,612	0
Federal National Mortgage Association Bonds	0	0	200,194	240,655
Federal Agriculture Mortgage Corporation Bonds	0	0	0	284,666
Total Investments	\$81,738	\$299,430	\$941,925	\$525,321

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

Credit Risk. The Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Bonds, and Federal Agriculture Mortgage Corporation Bonds also carry a rating of Aaa by Moody’s. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk. With the exception of U.S. Treasury securities, federal government agency securities, and authorized pools, no more than 50 percent of the City’s total investment portfolio will be invested in a single security type or with a single financial institution per the Council approved credit risk policy.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The following is the City's allocation as of December 31, 2015:

Investment Issuer	Percentage
Federal Home Loan Bank Bonds	33.97 %
Federal Home Loan Mortgage Corporation Bonds	26.78
Federal National Mortgage Association Bonds	23.85
Federal Agriculture Mortgage Corporation Bonds	15.40

Note 7 – Receivables

Receivables at December 31, 2015, consisted primarily of municipal income taxes, property taxes, accounts (including special assessments for street lighting), interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full and are expected to be received within one year; however, property taxes and income taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes, which became a lien December 31, 2014, are levied after October 1, 2015, and collected in 2016 with real property taxes.

The tax rate for all City operations for the year ended December 31, 2015, was \$3.20 per \$1,000 of assessed value, which is lower than the prior year due to the nonrenewal of a levy. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$105,231,580
Public Utility	1,333,440
Total Valuation	\$106,565,020

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the City of Munroe Falls. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2015, and for which there is an

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Municipal Income Taxes

The City levies a municipal income tax of 2 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of up to 100 percent on the income earned outside of the City and paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax at least quarterly and file a final return annually.

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

Intergovernmental Receivable

A summary of the governmental activities’ principal items of intergovernmental receivables follows:

Governmental Activities:	
Gas Tax Distribution	\$90,601
Local Government	65,799
Grants	41,500
Homestead and Rollback	26,571
Motor Vehicle License Tax	<u>19,380</u>
Total	243,851
Business-Type Activity:	
Grant	<u>4,146</u>
 Total	 <u><u>\$247,997</u></u>

Note 8 – Capital Leases

The City entered into a capital lease for a fire truck in 2004. In 2014, the City entered into a capital lease for a dump truck, excavator, leaf vacuum and water meters and meter readers. In 2015, the City entered into two capital leases for snow plows, salt spreaders, EMS cots and waterlines. The lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements. Capital assets were capitalized at the present value of the minimum lease payments at the time the lease was entered into.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Equipment	\$522,732	\$1,453,223
Less: Accumulated depreciation	(114,935)	(11,915)
Total	\$407,797	\$1,441,308

Of the \$1,453,223 of equipment acquired through capital leases for business-type activities, \$603,747 is in progress of completion.

The leases provide for minimum, annual lease payments as follows:

	Governmental Activities	Business-Type Activity
2016	\$70,646	\$194,238
2017	42,630	193,623
2018	41,891	193,019
2019	41,153	192,415
2020	40,420	191,815
2021-2025	52,112	484,062
Total Minimum Lease Payment	288,852	1,449,172
Less: Amount Representing Interest	(25,984)	(184,374)
Present Value of Minimum Lease Payments	\$262,868	\$1,264,798

Note 9 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,608,396	\$0	\$0	\$1,608,396
<i>Capital Assets, being depreciated</i>				
Land Improvements	379,285	0	0	379,285
Buildings and Improvements	3,821,324	40,735	0	3,862,059
Equipment	2,756,839	253,186	0	3,010,025
Infrastructure	1,589,529	102,779	0	1,692,308
<i>Total Capital Assets, being depreciated</i>	8,546,977	396,700	0	8,943,677
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(182,975)	(16,618)	0	(199,593)
Buildings and Improvements	(1,461,945)	(83,218)	0	(1,545,163)
Equipment	(1,826,650)	(166,243)	0	(1,992,893)
Infrastructure	(267,695)	(51,742)	0	(319,437)
<i>Total Accumulated Depreciation</i>	(3,739,265)	(317,821) *	0	(4,057,086)
<i>Total Capital Assets being depreciated, Net</i>	4,807,712	78,879	0	4,886,591
<i>Governmental Activities Capital Assets, Net</i>	\$6,416,108	\$78,879	\$0	\$6,494,987

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

* Depreciation expense was charged to governmental activities as follows:

General Government	\$33,342
Security of Persons and Property	166,007
Transportation	95,014
Leisure Time Activities	<u>23,458</u>
Total Depreciation Expense	<u><u>\$317,821</u></u>

Capital asset activity for business-type activities for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
<i>Business-Type Activity:</i>				
<i>Capital Assets, not being depreciated</i>				
Land	\$31,689	\$0	\$0	\$31,689
Construction in Progress	<u>235,595</u>	<u>301,807</u>	<u>0</u>	<u>537,402</u>
<i>Total Capital Assets, not being depreciated</i>	<u>267,284</u>	<u>301,807</u>	<u>0</u>	<u>569,091</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	986,446	0	0	986,446
Equipment	880,513	152,712	0	1,033,225
Infrastructure	<u>3,300,818</u>	<u>639,593</u>	<u>0</u>	<u>3,940,411</u>
<i>Total Capital Assets, being depreciated</i>	<u>5,167,777</u>	<u>792,305</u>	<u>0</u>	<u>5,960,082</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(439,923)	(18,864)	0	(458,787)
Equipment	(547,830)	(61,593)	0	(609,423)
Infrastructure	<u>(1,499,968)</u>	<u>(75,646)</u>	<u>0</u>	<u>(1,575,614)</u>
<i>Total Accumulated Depreciation</i>	<u>(2,487,721)</u>	<u>(156,103)</u>	<u>0</u>	<u>(2,643,824)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>2,680,056</u>	<u>636,202</u>	<u>0</u>	<u>3,316,258</u>
<i>Business-Type Activity Capital Assets, Net</i>	<u><u>\$2,947,340</u></u>	<u><u>\$938,009</u></u>	<u><u>\$0</u></u>	<u><u>\$3,885,349</u></u>

Note 10 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. The report may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or 5 years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire 10 years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$92,128 for 2015. Of this amount, \$7,586 is reported as an intergovernmental payable.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – City full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next 5 years of service credit, and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least 1 year may be eligible for a cost of living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015, through July 1, 2015	11.50 %	11.50 %
July 2, 2015, through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015, through July 1, 2015	11.50 %	11.50 %
July 2, 2015, through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$97,801 for 2015. Of this amount, \$9,156 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OPF	Total
Proportionate Share of the Net Pension Liability	\$698,821	\$997,044	\$1,695,865
Proportion of the Net Pension Liability	0.0057940%	0.01924640%	
Pension Expense	\$76,011	\$97,257	\$173,268

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$37,287	\$42,972	\$80,259
City contributions subsequent to the measurement date	92,128	97,801	189,929
Total Deferred Outflows of Resources	\$129,415	\$140,773	\$270,188
Deferred Inflows of Resources			
Differences between expected and actual experience	\$12,277	\$0	\$12,277

\$189,929 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OPF	Total
Year Ending December 31:			
2016	\$3,657	\$10,743	\$14,400
2017	3,657	10,743	14,400
2018	8,374	10,743	19,117
2019	9,322	10,743	20,065
Total	\$25,010	\$42,972	\$67,982

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$1,285,631	\$698,821	\$204,586

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014, is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented as follows:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014, are summarized in the following table:

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent) or one percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$1,379,062	\$997,044	\$673,590

Social Security

As of December 31, 2015, eighteen part-time firefighters and four auxiliary police officers are covered by Social Security as they are not eligible to participate, as part-time employees, in OPERS or Ohio Police and Fire Pension Fund. The City’s liability is 6.2 percent of wages paid.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 11 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements, for qualifying benefit recipients of both the Traditional Pension and Combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced as follows for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, 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 the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and the Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016, remained at 2.0 percent for both plans. The OPERS Board of Trustees is also authorized to establish rules for the retiree or the retiree's surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Substantially all of the City's contribution allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$15,355, \$15,715, and \$7,429, respectively. For 2015, 91.77 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The City's contributions to OPF which were allocated to fund postemployment health care benefits for police and firefighters were \$2,059 and \$416 for the year ended December 31, 2015, \$1,618 and \$322 for the year ended December 31, 2014, and \$22,628 and \$8,873 for the year ended December 31, 2013. For 2015, 88.11 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

Note 12 – Other Employee Benefits

Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service. Current policy credits vacation leave on the hiring date anniversary of each year for all full time employees. Unused vacation is cumulative and may not exceed 200 hours carryover per year for all full time employees. In the event of a termination of employment, death, or retirement, employees (or their estates) are paid for unused vacation leave.

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

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

Insurance

The City provides health insurance to its employees through Summacare. Employees covered under union contracts may have different terms. All employees currently contribute 15 percent towards their health premium.

Note 13 – Long-Term Obligations

Original issue amounts and interest rates of the City's debt issues are as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Date of Maturity</u>
<i>Governmental Activities:</i>			
2011 Capital Asset Acquisition Serial Bonds	2 - 4	170,000	December 1, 2018
<i>Business-Type Activity:</i>			
2011 Capital Asset Acquisition Serial Bonds	2 - 4.5	440,000	December 1, 2026

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

	Balance 12/31/2014	Issued	Retired	Balance 12/31/2015	Amounts Due In One Year
Governmental Activities:					
2011 Capital Asset Acquisition Bonds	\$100,000	\$0	(\$25,000)	\$75,000	\$25,000
Premium on Bonds	6,014	0	(1,504)	4,510	0
Capital Leases	138,775	172,837	(48,744)	262,868	62,527
Compensated Absences	124,075	0	(50,837)	73,238	25,719
Net Pension Liability:					
OPERS	614,733	14,206	0	628,939	0
OPF	937,360	59,684	0	997,044	0
Total Governmental Activities	<u>\$1,920,957</u>	<u>\$246,727</u>	<u>(\$126,085)</u>	<u>\$2,041,599</u>	<u>\$113,246</u>
Business-Type Activity:					
2011 Capital Asset Acquisition Bonds	\$370,000	\$0	(\$25,000)	\$345,000	\$25,000
Premium on Bonds	17,982	0	(1,498)	16,484	0
Capital Leases	612,500	741,413	(89,115)	1,264,798	153,627
Net Pension Liability:					
OPERS	68,304	1,578	0	69,882	0
Total Business-Type Activity	<u>\$1,068,786</u>	<u>\$742,991</u>	<u>(\$115,613)</u>	<u>\$1,696,164</u>	<u>\$178,627</u>

On September 1, 2011, the City issued \$610,000 of General Obligation Bonds for the purpose of acquiring capital assets. These bonds were issued at a premium of \$33,002, which will be amortized over the life of the bonds. Payments are made from the bond retirement debt service fund and the water fund. These bonds are part of a larger issuance of \$6.5 million in fractionalized interest bonds relating to the Ohio Capital Asset Financing Program with six other political subdivisions. These bonds are several and not joint obligations. None of the political subdivisions has any obligation to pay the principal of or interest on the bonds of any other political subdivision. Payment by a political subdivision of principal and interest on its portion of the bonds will fully discharge that subdivision of its obligations.

In June 2004, the City entered into a capital lease to purchase a fire truck through the Ohio Department of Administrative Services Ohio Cooperative Purchasing Program. The cost of the fire truck and the amount of the lease is \$252,931, with an interest rate of 4.12 percent. Annual payments of principal and interest are to be made through June 2016. Payments are to be paid out of the City's capital improvement fund.

In October 2014, the City entered into a capital lease to purchase equipment through FirstMerit Bank, N.A. The cost of the equipment and the amount of the lease is \$700,000, with an interest rate of 3.38 percent. Annual payments of principal and interest are to be made through October 2021. Payments are to be paid out of the City's capital improvement fund and the water fund. At December 31, 2015, \$8,753 of the proceeds were unspent in the water fund

In April 2015, the City entered into a capital lease to purchase waterlines through FirstMerit Bank, N.A. The amount of the lease is \$600,000, with an interest rate of 3.22 percent. Annual payments of principal and interest are to be made through October 2025. Payments are to be paid out of the City's water fund.

In June 2015, the City entered into a capital lease to purchase two snow plow trucks and two EMS cots through Peoples Bank. The amount of the lease is \$314,250, with an interest rate of 2.95 percent. Annual payments of principal and interest are to be made through March 2022. Payments are to be paid out of the City's EMS special levy fund, capital improvement fund and the water fund.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The compensated absences liability will be paid out of the City's general fund, street construction, maintenance and repair fund, fire department special levy fund and the EMS special levy fund. The City pays obligations related to employee compensation from the fund benefitting from their service.

As of December 31, 2015, the City's overall legal debt margin was \$11,118,460 and the unvoted legal debt margin was \$5,445,209. Principal and interest requirements to retire the outstanding debt at December 31, 2015, are as follows:

	Governmental Activities			
	General Obligation		Lease Purchase	
	Bonds		Agreements	
	Principal	Interest	Principal	Interest
2016	\$25,000	\$3,000	\$62,527	\$8,120
2017	25,000	2,000	36,755	5,875
2018	25,000	1,000	37,163	4,728
2019	0	0	37,585	3,568
2020	0	0	38,021	2,398
2021-2025	0	0	50,817	1,295
Totals	\$75,000	\$6,000	\$262,868	\$25,984

	Business-Type Activity			
	General Obligation		Lease Purchase	
	Bonds		Agreements	
	Principal	Interest	Principal	Interest
2016	\$25,000	\$14,650	\$153,627	\$40,611
2017	25,000	13,650	158,072	35,552
2018	30,000	12,650	162,665	30,355
2019	30,000	11,450	167,410	25,005
2020	30,000	10,100	172,314	19,501
2021.-2025	165,000	30,975	450,710	33,350
2026	40,000	1,800	0	0
Totals	\$345,000	\$95,275	\$1,264,798	\$184,374

Note 14 – Contingencies

Grants

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Litigation

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

Note 15 – Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Governmental Activities:	
General	\$69,642
Fire Department Special Levy	2,509
EMS Special Levy	56,240
Capital Improvement	163,840
Other Governmental Funds	<u>16,928</u>
	309,159
Business-Type Activity:	
Water	<u>150,502</u>
Total	<u><u>\$459,661</u></u>

Note 16 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2015, the City contracted with Select Insurance Group for its property and liability insurance. Wichert Insurance Services, Incorporated serves as the City's agent.

The City carries commercial property insurance in the amount of \$10,984,266 with a \$500 deductible. The City carries insurance for general liability, auto liability and law enforcement liability with limits of \$1,000,000 per occurrence. The City also carries \$1,000,000 of public officials' liability coverage. Public officials have a deductible of \$10,000. The law enforcement deductible is \$10,000, the equipment and crime deductibles are \$1,000, and the inland marine deduction is \$500. Auto liability has a \$1,000,000 combined single limit of liability with a \$500 collision deductible. The umbrella liability is \$5,000,000. There has not been a significant reduction in coverage from the prior year. Claims have not exceeded this commercial coverage in any of the past three years.

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 17 – Interfund Transfers

During 2015, the street construction, maintenance and repair, fire department special levy, and EMS special levy special revenue funds and the water fund made transfers to general fund in the amounts of \$99, \$135, \$135, and \$111, respectively, for their share of compensated absences related costs.

Note 18 – Fund Balances

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

Fund Balances	General	Fire Department Special Levy	EMS Special Levy	Capital Improvement	Other Governmental Funds	Total
Nonspendable:						
Inventory	\$34,620	\$0	\$0	\$0	\$35,183	\$69,803
Prepays	14,118	197	803	12,882	1,495	29,495
Total Nonspendable	48,738	197	803	12,882	36,678	99,298
Restricted to:						
Public Safety	0	464,921	444,639	0	14,446	924,006
Debt Service	0	0	0	0	4,133	4,133
Transportation	0	0	0	0	235,598	235,598
Capital Improvements	0	0	0	275,330	196,401	471,731
Total Restricted	0	464,921	444,639	275,330	450,578	1,635,468
Committed to:						
Compensated Absences	74,726	0	0	0	0	74,726
Public Safety	0	0	0	0	49,847	49,847
Total Committed	74,726	0	0	0	49,847	124,573
Assigned to:						
2016 Operations	339,130	0	0	0	0	339,130
Purchases on Order:						
Administration	1,753	0	0	0	0	1,753
Land and Buildings	5,588	0	0	0	0	5,588
Police	21,659	0	0	0	0	21,659
Fire	19,541	0	0	0	0	19,541
Streets	7,730	0	0	0	0	7,730
Parks	3,048	0	0	0	0	3,048
Total Assigned	398,449	0	0	0	0	398,449
Unassigned	1,207,762	0	0	0	0	1,207,762
Total Fund Balances	\$1,729,675	\$465,118	\$445,442	\$288,212	\$537,103	\$3,465,550

Required Supplementary Information

THIS PAGE INTENTIONALLY LEFT BLANK.

City of Munroe Falls, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Two Years (1)

	2014	2013
City's Proportion of the Net Pension Liability	0.00579400%	0.00579400%
City's Proportionate Share of the Net Pension Liability	\$698,821	\$683,037
City's Covered-Employee Payroll	\$710,308	\$678,300
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	100.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date, which is the prior year end.

City of Munroe Falls, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Two Years (1)

	2014	2013
City's Proportion of the Net Pension Liability	0.01924640%	0.01924640%
City's Proportionate Share of the Net Pension Liability	\$997,044	\$937,360
City's Covered-Employee Payroll	\$407,370	\$432,746
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	244.75%	216.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date, which is the prior year end.

City of Munroe Falls, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years (1)

	2015	2014	2013
Contractually Required Contribution	\$92,128	\$85,237	\$88,179
Contributions in Relation to the Contractually Required Contribution	(92,128)	(85,237)	(88,179)
Contribution Deficiency (Excess)	\$0	\$0	\$0
City Covered-Employee Payroll	\$767,736	\$710,308	\$678,300
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

City of Munroe Falls, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2015	2014	2013	2012
Contractually Required Contribution	\$97,801	\$80,545	\$73,076	\$66,710
Contributions in Relation to the Contractually Required Contribution	(97,801)	(80,545)	(73,076)	(66,710)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$495,035	\$407,370	\$432,746	\$477,808
Contributions as a Percentage of Covered-Employee Payroll:	19.76%	19.77%	16.89%	13.96%

2011	2010	2009	2008	2007	2006
\$74,220	\$82,074	\$84,424	\$82,648	\$77,586	\$66,500
(74,220)	(82,074)	(84,424)	(82,648)	(77,586)	(66,500)
\$0	\$0	\$0	\$0	\$0	\$0
\$532,642	\$594,646	\$613,196	\$600,230	\$562,308	\$516,029
13.93%	13.80%	13.77%	13.77%	13.80%	12.89%

(This Page is Intentionally Left Blank)



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Munroe Falls, Summit County, Ohio, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2017, wherein we noted the City adopted Governmental Accounting Standards No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Findings:

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.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

January 27, 2017

CITY OF MUNROE FALLS
SUMMIT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015

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

Financial Statement Adjustments

<i>Finding Number</i>	2015-001
-----------------------	----------

MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the City's management and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

The following material errors were noted during the audit of the City's December 31, 2015 financial statements:

- The City began an automatic meter reader project during FY 2014 which was not completed as of December 31, 2015. The "Construction in Progress" balance for this project was overstated on the City's financial statements by \$66,345 because various expenditures unrelated to the project were improperly included in the year-end balance. The error resulted in expenses being understated on the Statement of Activities for the Business-Type Activities and on the Water Fund Statement of Revenues, Expenses and Changes in Fund Net Position.
- "Income Tax Receivable" and "Unavailable Revenue" balances were overstated on the balance sheet in the General Fund and understated in the Capital Improvement Fund by \$12,927 due to an error in calculation.

The above errors were not identified and corrected prior to the City preparing their financial statements due to deficiencies in the City's internal controls over financial statement monitoring.

Adjustments were made to correct the financial statements.

To help ensure accurate financial reporting:

- The City should report only allowable expenditures related to an ongoing capital project as additions to the Construction in Progress balance.
- The City should review calculations of all financial statement balance sheet accounts prior to filing their annual financial statements to ensure accuracy and completeness of reporting.

Official's Response: The GAAP conversion team used "all" expense accounts within the Water Utility Fund rather than only the "AMR system installation expense" account for the CIP calculation. In addition, it was common practice for the GAAP conversion team to apply the PY allocation for the City's income tax receivable split between the General Fund and the Capital Projects Fund. However, this allocation was reduced based on the General Fund's inability to support Capital Fund reserves at the prior levels. These errors were noted by the City and the GAAP conversion team and will be corrected in the future.

This page intentionally left blank.



Dave Yost • Auditor of State

CITY OF MUNROE FALLS

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 9, 2017**