



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF MUNROE FALLS
SUMMIT COUNTY**

**DECEMBER 31, 2019
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SUMMIT COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Munroe Falls
Summit County
43 Munroe Falls Avenue
Munroe Falls, OH 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, 2019, 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 such 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Road & Bridge Fund, Police Levy Fund, Fire Department Special Levy Fund and the 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 2019, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding these matters.

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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 September 25, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

September 25, 2020

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City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
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, 2019. 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 2019 are:

- In total, net position increased \$1,047,690. Net position of governmental activities increased \$1,382,047, which represents a 24.29 percent increase from 2018. Net position of business-type activity decreased \$334,357, or 8.98 percent decrease from 2018.
- Program specific revenues in the form of charges for services and operating assessments, operating grants and contributions and capital grants and contributions accounted for \$1,904,748, or 35.55 percent of total revenues of \$5,357,679. General revenues accounted for \$3,452,931 in revenue, or 64.45 percent of all revenues.
- During 2019, the general fund had \$2,408,920 in revenues and \$1,917,976 in expenditures and transfers out, realizing an increase in fund balance of \$490,944, which was driven by an increase in income tax revenues and a reduction in transfers out.
- Total long-term liabilities increased by \$1,239,721 during 2019 due to the net pension liability and the proceeds of a SIB loan, which was offset by a decrease in the net OPEB liability.

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 2019?" 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

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

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.

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, road and bridge, police levy, fire special levy, EMS special levy 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. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The City's only proprietary fund (water) 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.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
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 2019 compared to 2018.

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$5,569,350	\$4,546,810	\$1,604,175	\$1,787,929	\$7,173,525	\$6,334,739
Capital Assets, Net	6,752,606	6,406,247	3,186,433	3,364,773	9,939,039	9,771,020
<i>Total Assets</i>	<u>12,321,956</u>	<u>10,953,057</u>	<u>4,790,608</u>	<u>5,152,702</u>	<u>17,112,564</u>	<u>16,105,759</u>
Deferred Outflows of Resources						
Pension	1,014,628	505,505	199,781	62,801	1,209,566	556,622
OPEB	232,812	180,432	48,861	14,960	270,905	189,926
<i>Total Deferred Outflows of Resources</i>	<u>1,247,440</u>	<u>685,937</u>	<u>248,642</u>	<u>77,761</u>	<u>1,480,471</u>	<u>746,548</u>
Liabilities						
Current and Other Liabilities	193,665	533,066	67,589	31,162	261,254	564,228
Long-Term Liabilities:						
Due Within One Year	233,011	149,935	214,175	208,820	447,186	358,755
Due in More than One Year:						
Net Pension Liability	3,195,326	2,112,812	469,322	194,452	3,664,648	2,307,264
Net OPEB Liability	756,813	1,771,416	208,046	129,009	964,859	1,900,425
Other Amounts	1,152,683	222,662	685,387	885,936	1,838,070	1,108,598
<i>Total Liabilities</i>	<u>5,531,498</u>	<u>4,789,891</u>	<u>1,644,519</u>	<u>1,449,379</u>	<u>7,176,017</u>	<u>6,239,270</u>
Deferred Inflows of Resources						
Property Taxes	853,357	845,294	0	0	853,357	845,294
Pension	28,358	249,863	6,466	49,416	29,981	287,595
OPEB	84,573	64,383	564	9,610	74,369	68,527
<i>Total Deferred Inflows of Resources</i>	<u>966,288</u>	<u>1,159,540</u>	<u>7,030</u>	<u>59,026</u>	<u>957,707</u>	<u>1,201,416</u>
Net Position						
Net Investment in Capital Assets	5,511,997	5,711,829	2,328,409	2,309,339	7,840,406	8,021,168
Restricted for:						
Capital Projects	29,191	28,853	0	0	29,191	28,853
Debt Service	2,557	1,158	0	0	2,557	1,158
Street Maintenance and Repair	1,041,786	777,812	0	0	1,041,786	777,812
Fire Department	242,776	375,427	0	0	242,776	375,427
EMS	631,783	573,135	0	0	631,783	573,135
Other Purposes	108,286	130,709	0	0	108,286	130,709
Unrestricted (Deficit)	(496,766)	(1,909,360)	1,059,292	1,412,719	562,526	(496,641)
<i>Total Net Position</i>	<u>\$7,071,610</u>	<u>\$5,689,563</u>	<u>\$3,387,701</u>	<u>\$3,722,058</u>	<u>\$10,459,311</u>	<u>\$9,411,621</u>

The net pension liability (NPL) is the largest liability reported by the City at December 31, 2019. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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

City of Munroe Falls, Ohio
Management's Discussion and Analysis
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of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 or the net OPEB liability. As explained previously, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 and the net OPEB liability is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

By comparing assets, deferred outflows, liabilities and deferred inflows of resources, one can see the overall position of the City has increased as evidenced by the increase 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.

The increase in net position was due to an increase in cash and cash equivalents, nondepreciable capital assets, and deferred outflows related to pension and OPEB and a decrease in the net OPEB liability, which was offset by increases in debt obligations and the net pension liability. The increases were due to increased income tax revenues, the continuation of repairs and resurfacing of various City roads, changes in assumptions and benefit terms for pension and OPEB plans, respectively. The increases in debt obligations and the net pension liability was due to the proceeds of SIB loan and changes in assumptions of pension plans.

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 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2019	2018	2019	2018	2019	2018
<i>Program Revenues:</i>						
Charges for Services and						
Operating Assessments	\$375,047	\$401,226	\$1,055,711	\$933,032	\$1,430,758	\$1,334,258
Operating Grants and Contributions	468,978	331,731	0	0	468,978	331,731
Capital Grants and Contributions	0	0	5,012	5,012	5,012	5,012
<i>Total Program Revenues</i>	<u>\$844,025</u>	<u>\$732,957</u>	<u>\$1,060,723</u>	<u>\$938,044</u>	<u>\$1,904,748</u>	<u>\$1,671,001</u>

(continued)

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
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Table 2
Changes in Net Position (continued)

	Governmental Activities		Business-Type Activity		Total	
	2019	2018	2019	2018	2019	2018
General Revenues:						
Property Taxes	\$842,947	\$828,032	\$0	\$0	\$842,947	\$828,032
Income Tax	1,979,206	1,433,699	0	0	1,979,206	1,433,699
Grants and Entitlements not Restricted to Specific Programs	202,200	241,062	0	0	202,200	241,062
Unrestricted Contributions	5,150	2,750	0	0	5,150	2,750
Interest	160,254	79,927	0	0	160,254	79,927
Other	229,184	102,598	33,990	0	263,174	102,598
Total General Revenues	3,418,941	2,688,068	33,990	0	3,452,931	2,688,068
Total Revenues	4,262,966	3,421,025	1,094,713	938,044	5,357,679	4,359,069
Program Expenses:						
General Government	926,165	755,214	0	0	926,165	755,214
Security of Persons and Property	1,191,141	2,156,583	0	0	1,191,141	2,156,583
Transportation	706,400	544,757	0	0	706,400	544,757
Public Health and Welfare	38,466	38,399	0	0	38,466	38,399
Leisure Time Activities	11,408	58,079	0	0	11,408	58,079
Interest and Fiscal Charges	7,339	10,418	0	0	7,339	10,418
Water Operations	0	0	1,429,070	1,114,370	1,429,070	1,114,370
Total Program Expenses	2,880,919	3,563,450	1,429,070	1,114,370	4,309,989	4,677,820
Change in Net Position	1,382,047	(142,425)	(334,357)	(176,326)	1,047,690	(318,751)
Net Position Beginning of Year - Restated (See Note 3)	5,689,563	5,831,988	3,722,058	3,898,384	9,411,621	9,730,372
Net Position End of Year	\$7,071,610	\$5,689,563	\$3,387,701	\$3,722,058	\$10,459,311	\$9,411,621

Total security of persons and property expenses decreased from the prior year. For 2019, OPF recognized a change in benefit terms for their OPEB plan. Under this new model, OPF provides eligible retirees with a fixed stipend earmarked to pay for healthcare and Medicare Part B reimbursements. This new model replaced the self-insurance healthcare plan used in prior years. These changes contributed to OPEB expense decreasing from \$107,074 in 2018 to a negative OPEB expense of (\$1,081,261) for 2019.

Governmental Activities

Several revenue sources fund the City's governmental activities with City income tax being the largest. An income tax of 2.25 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 up to 100 percent of the City's current tax rate. Income tax revenues increased during the year due to an upswing in the economy and low unemployment rate.

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 increased due to increased assessed valuations of property.

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Management's Discussion and Analysis
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General government expenses include such services as planning, zoning, administration, finance, legal, legislature, and engineering. These expenses increased compared the prior year primarily due to attorney fees for several pending lawsuits, the firing range remediation, damage repair costs caused by a lighting strike and necessary technology upgrades of the City's server and computer system.

The police department continues to operate efficiently utilizing full and part time personnel. The police department is funded from revenues generated through the general fund transferred to the police levy fund, along with a property tax levy restricted for police operations. The fire department is primarily a volunteer force and works from one fire station. Operations are funded primarily through fire and EMS special levies and EMS billing collections. For 2019, security of persons and property spending was carefully monitored, and was lower than the prior year due to the decrease in the OPF net OPEB liability as well as due to maintaining operational costs and reducing capital expenses compared to the prior year.

Transportation costs include street lighting, snow and ice removal and the costs of maintaining the City streets. These costs were higher than 2018 due to significant increases in road salt prices and adding more street department personnel.

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 16. These funds are accounted for using the modified accrual basis of accounting. The City focuses on its governmental funds to provide a financial picture of activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2019. The information provided is useful to determine the City's available balances. The City's total 2019 governmental fund balance increased over the prior year.

The most significant fund is the general fund. The general fund saw an increase in fund balance due to an increase in income tax and investment interest revenues and a reduction of transfers out.

The road and bridge and EMS special levy funds had increases in fund balance, while the police levy and fire department special levy funds had decreases in fund balance.

Business-Type Fund

As mentioned earlier, the City's only business-type activity is the water fund. Net position of the water fund decreased in 2019. The decrease in fund balance from the prior year resulted from new obligations paid for future water capital improvements.

The City continues the process of identifying the long-term maintenance and replacement needs of its water line infrastructure and other capital assets requirements. During 2019, the City completed the restoration of the City's South Water Tower and entered into an agreement with a third-party contractor to maintain the water towers and help ensure that the City complies with EPA maintenance standards. The second water tower is scheduled for refurbishments in 2020.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

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. All capital projects and requests for capital purchases are approved by Council within the annual budget. Any request to amend the budget is referred to the Finance and Audit Committee, and then submitted to Council for approval. 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 parks, zoning, finance, administrative, legal, as well as the legislative activities. Some major capital projects are funded with general fund dollars. By legislation, a percentage of income tax funds are assigned to capital projects funds where the revenue and expenditures for the capital improvement are tracked and monitored. For the general fund, final budgeted revenues increased from original budgeted revenues. Actual revenues were higher than final budgeted revenues due to conservative budgeting. The City continued to maintain a respectable level of liquidity in the general fund by carefully monitoring 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.

Capital Assets and Debt Administration

Capital Assets

Governmental activities saw an increase due to the purchase of capital assets outpacing depreciation and deletions, which included various road improvements, equipment purchases, and other miscellaneous police and fire equipment. The decrease of business-type activity was due to depreciation and deletions outpacing additions. For additional information see Note 10 to the basic financial statements.

Debt Administration

During 2019, total debt obligations increased due to the new State Infrastructure Bank (SIB) loan exceeding the repayment of debt.

The SIB loan was for the Munroe Falls Paving Program, which includes the rehabilitation of fifty-seven local roads consisting of thirty-seven asphalt concrete pavement surfaced roads and twenty reinforced concrete pavement roads within the City's limits. The loan is unfinalized as of the end of the year, and will be paid from the road and bridge fund.

The capital asset acquisition bond was for waterline improvements. This bond is paid from the water enterprise fund. For additional information see Note 13 to the basic financial statements.

The capital leases were for various street and service department equipment, EMS equipment, a new meter reader system, waterline capital improvements, and radio system. For additional information, see Note 11 to the basic financial statements.

City of Munroe Falls, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2019
Unaudited

Current Financial Related Activities

Beginning in 2018, the City improved its overall financial outlook. Residents voted to increase income taxes from 2.00 percent to 2.25 percent, which generates general operating revenue for the general fund and builds set asides for needed capital improvements. The road and bridge levy provided funds to start engineering on roads and implement a schedule for future maintenance of roads. Water rates were increased to help offset increased water supply expenses and to provide for necessary maintenance costs of the City's aging water infrastructure system. During 2019, the City completed scheduled road improvement projects, using approximately \$1.1 million in SIB loan, which will be repaid over the life of the levy. This loan will be finalized during 2020.

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.

Due to the current situation with the Coronavirus (COVID-19) the City will notice a decrease in income tax collections in 2020. It is difficult to say what the decrease will be as the filing deadline was extended to July 15, 2020. We do believe that the biggest impact from income tax collections will be realized in 2021. This is due to business closures and employee layoffs during the pandemic. The City will adjust the revenue certification in 2021 to reflect the loss of revenue for income tax, along with the potential loss of revenue for gasoline excise taxes. The budget will be implemented to stay within the certification to maintain a balanced budget for 2021.

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 KReynolds@munroefalls.com.

City of Munroe Falls, Ohio

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-Type Activity	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,511,522	\$1,499,185	\$5,010,707
Materials and Supplies Inventory	63,263	0	63,263
Accrued Interest Receivable	19,501	0	19,501
Accounts Receivable	92,812	89,608	182,420
Special Assessments Receivable	20,720	0	20,720
Intergovernmental Receivable	325,439	5,012	330,451
Prepaid Items	18,381	10,370	28,751
Income Taxes Receivable	639,678	0	639,678
Property Taxes Receivable	878,034	0	878,034
Nondepreciable Capital Assets	2,781,185	31,689	2,812,874
Depreciable Capital Assets, Net	3,971,421	3,154,744	7,126,165
<i>Total Assets</i>	<u>12,321,956</u>	<u>4,790,608</u>	<u>17,112,564</u>
Deferred Outflows of Resources			
Pension	1,014,628	199,781	1,209,566
OPEB	232,812	48,861	270,905
<i>Total Deferred Outflows of Resources</i>	<u>1,247,440</u>	<u>248,642</u>	<u>1,480,471</u>
Liabilities			
Accounts Payable	28,972	7,706	36,678
Deposits Held Payable	28,961	0	28,961
Contracts Payable	38,992	0	38,992
Accrued Wages	51,079	4,120	55,199
Intergovernmental Payable	44,085	50,246	94,331
Accrued Interest Payable	1,576	5,517	7,093
Long-Term Liabilities:			
Due Within One Year	233,011	214,175	447,186
Due In More Than One Year:			
Net Pension Liability (See Note 14)	3,195,326	469,322	3,664,648
Net OPEB Liability (See Note 15)	756,813	208,046	964,859
Other Amounts Due in More Than One Year	1,152,683	685,387	1,838,070
<i>Total Liabilities</i>	<u>5,531,498</u>	<u>1,644,519</u>	<u>7,176,017</u>
Deferred Inflows of Resources			
Property Taxes	853,357	0	853,357
Pension	28,358	6,466	29,981
OPEB	84,573	564	74,369
<i>Total Deferred Inflows of Resources</i>	<u>966,288</u>	<u>7,030</u>	<u>957,707</u>
Net Position			
Net Investment in Capital Assets	5,511,997	2,328,409	7,840,406
Restricted for:			
Capital Projects	29,191	0	29,191
Debt Service	2,557	0	2,557
Street Maintenance and Repair	1,041,786	0	1,041,786
Fire Department	242,776	0	242,776
EMS	631,783	0	631,783
Other Purposes	108,286	0	108,286
Unrestricted (Deficit)	(496,766)	1,059,292	562,526
<i>Total Net Position</i>	<u>\$7,071,610</u>	<u>\$3,387,701</u>	<u>\$10,459,311</u>

*After Deferred Outflows and Deferred Inflows related to the change in internal proportionate share of pension-related and OPEB-related items have been eliminated.

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues			
	Expenses	Charges for Services and Operating Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$926,165	\$181,214	\$0	\$0
Security of Persons and Property	1,191,141	155,341	70,736	0
Transportation	706,400	23,812	398,242	0
Public Health and Welfare	38,466	7,714	0	0
Leisure Time Activities	11,408	6,966	0	0
Interest and Fiscal Charges	7,339	0	0	0
<i>Total Governmental Activities</i>	2,880,919	375,047	468,978	0
Business-Type Activity:				
Water	1,429,070	1,055,711	0	5,012
<i>Total</i>	<u>\$4,309,989</u>	<u>\$1,430,758</u>	<u>\$468,978</u>	<u>\$5,012</u>

General Revenues

Property Taxes Levied for:
Street Maintenance and Repair
Police Department
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

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>
(\$744,951)	\$0	(\$744,951)
(965,064)	0	(965,064)
(284,346)	0	(284,346)
(30,752)	0	(30,752)
(4,442)	0	(4,442)
<u>(7,339)</u>	<u>0</u>	<u>(7,339)</u>
(2,036,894)	0	(2,036,894)
<u>0</u>	<u>(368,347)</u>	<u>(368,347)</u>
<u>(2,036,894)</u>	<u>(368,347)</u>	<u>(2,405,241)</u>
214,402	0	214,402
300,164	0	300,164
153,928	0	153,928
174,453	0	174,453
1,807,718	0	1,807,718
171,488	0	171,488
202,200	0	202,200
5,150	0	5,150
160,254	0	160,254
<u>229,184</u>	<u>33,990</u>	<u>263,174</u>
<u>3,418,941</u>	<u>33,990</u>	<u>3,452,931</u>
1,382,047	(334,357)	1,047,690
<u>5,689,563</u>	<u>3,722,058</u>	<u>9,411,621</u>
<u>\$7,071,610</u>	<u>\$3,387,701</u>	<u>\$10,459,311</u>

City of Munroe Falls, Ohio

*Balance Sheet
Governmental Funds
December 31, 2019*

	General	Road and Bridge	Police Levy	Fire Department Special Levy	EMS Special Levy	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$1,310,001	\$489,329	\$97,643	\$242,677	\$609,163	\$750,913	\$3,499,726
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	11,796	0	0	0	0	0	11,796
Materials and Supplies Inventory	31,011	0	0	0	0	32,252	63,263
Accrued Interest Receivable	19,501	0	0	0	0	0	19,501
Accounts Receivable	47,085	0	0	0	45,727	0	92,812
Special Assessments Receivable	0	0	0	0	0	20,720	20,720
Intergovernmental Receivable	99,468	3,392	4,749	12,194	13,820	191,816	325,439
Prepaid Items	5,437	0	5,933	2,237	1,876	2,898	18,381
Income Taxes Receivable	593,621	0	0	0	0	46,057	639,678
Property Taxes Receivable	0	223,121	312,369	160,568	181,976	0	878,034
Total Assets	\$2,117,920	\$715,842	\$420,694	\$417,676	\$852,562	\$1,044,656	\$5,569,350
Liabilities							
Accounts Payable	\$14,161	\$293	\$5,457	\$0	\$3,527	\$5,534	\$28,972
Deposits Held Payable	0	0	0	0	0	21,261	21,261
Deposits Held Payable from Restricted Assets	7,700	0	0	0	0	0	7,700
Contracts Payable	38,992	0	0	0	0	0	38,992
Accrued Wages	6,950	0	18,359	5,691	4,159	15,920	51,079
Intergovernmental Payable	37,824	0	4,104	528	524	1,105	44,085
Total Liabilities	105,627	293	27,920	6,219	8,210	43,820	192,089
Deferred Inflows of Resources							
Property Taxes	0	217,134	303,987	155,736	176,500	0	853,357
Unavailable Revenue	419,718	9,379	13,131	17,026	37,912	147,703	644,869
Total Deferred Inflows of Resources	419,718	226,513	317,118	172,762	214,412	147,703	1,498,226
Fund Balances							
Nonspendable	40,544	0	5,933	2,237	1,876	35,150	85,740
Restricted	0	489,036	69,723	236,458	628,064	493,120	1,916,401
Committed	84,859	0	0	0	0	324,863	409,722
Assigned	69,119	0	0	0	0	0	69,119
Unassigned	1,398,053	0	0	0	0	0	1,398,053
Total Fund Balances	1,592,575	489,036	75,656	238,695	629,940	853,133	3,879,035
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$2,117,920	\$715,842	\$420,694	\$417,676	\$852,562	\$1,044,656	\$5,569,350

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, 2019*

Total Governmental Fund Balances	\$3,879,035
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,752,606
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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	24,677
Income Taxes	366,022
Intergovernmental	235,554
Charges for Services	18,616
Total	644,869

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(1,576)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
State Infrastructure Bank Loan	(1,083,823)
Capital Leases	(156,786)
Compensated Absences	(145,085)
Total	(1,385,694)

The net pension/OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	1,014,628
Deferred Outflows - OPEB	232,812
Net Pension Liability	(3,195,326)
Net OPEB Liability	(756,813)
Deferred Inflows - Pension	(28,358)
Deferred Inflows - OPEB	(84,573)
Total	(2,817,630)

<i>Net Position of Governmental Activities</i>	<u><u>\$7,071,610</u></u>
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City of Munroe Falls, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Road and Bridge	Police Levy	Fire Department Special Levy	EMS Special Levy	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$0	\$216,506	\$303,108	\$155,676	\$176,433	\$0	\$851,723
Income Taxes	1,658,181	0	0	0	0	177,641	1,835,822
Special Assessments	0	0	0	0	0	20,804	20,804
Intergovernmental	188,836	6,766	10,473	24,370	30,954	340,356	601,755
Interest	151,259	0	0	0	0	8,995	160,254
Fines, Licenses and Permits	199,731	0	0	0	0	4,744	204,475
Charges for Services	2,221	0	0	0	180,425	0	182,646
Rentals	11,350	0	0	0	0	0	11,350
Contributions and Donations	5,150	0	0	0	0	5,860	11,010
Other	192,192	0	0	0	0	36,992	229,184
<i>Total Revenues</i>	<u>2,408,920</u>	<u>223,272</u>	<u>313,581</u>	<u>180,046</u>	<u>387,812</u>	<u>595,392</u>	<u>4,109,023</u>
Expenditures							
Current:							
General Government	797,699	3,236	0	2,354	2,668	0	805,957
Security of Persons and Property	70,340	0	1,145,266	305,584	265,717	4,281	1,791,188
Transportation	118,733	684,371	0	0	0	315,001	1,118,105
Public Health and Welfare	38,466	0	0	0	0	0	38,466
Leisure Time Activities	34,738	0	0	0	0	0	34,738
Capital Outlay	0	0	0	0	0	94,124	94,124
Debt Service:							
Principal Retirement	0	0	25,468	0	11,464	66,062	102,994
Interest and Fiscal Charges	0	0	1,948	0	1,002	5,788	8,738
<i>Total Expenditures</i>	<u>1,059,976</u>	<u>687,607</u>	<u>1,172,682</u>	<u>307,938</u>	<u>280,851</u>	<u>485,256</u>	<u>3,994,310</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,348,944</u>	<u>(464,335)</u>	<u>(859,101)</u>	<u>(127,892)</u>	<u>106,961</u>	<u>110,136</u>	<u>114,713</u>
Other Financing Sources (Uses)							
State Infrastructure Bank Loan Issued	0	1,083,823	0	0	0	0	1,083,823
Transfers In	0	0	858,000	0	0	0	858,000
Transfers Out	(858,000)	0	0	0	0	0	(858,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(858,000)</u>	<u>1,083,823</u>	<u>858,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,083,823</u>
<i>Net Change in Fund Balances</i>	490,944	619,488	(1,101)	(127,892)	106,961	110,136	1,198,536
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>1,101,631</u>	<u>(130,452)</u>	<u>76,757</u>	<u>366,587</u>	<u>522,979</u>	<u>742,997</u>	<u>2,680,499</u>
<i>Fund Balances End of Year</i>	<u>\$1,592,575</u>	<u>\$489,036</u>	<u>\$75,656</u>	<u>\$238,695</u>	<u>\$629,940</u>	<u>\$853,133</u>	<u>\$3,879,035</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, 2019*

Net Change in Fund Balances - Total Governmental Funds \$1,198,536

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:

Capital Asset Additions	754,049	
Current Year Depreciation	(402,495)	
Total	351,554	351,554

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (5,195)

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

Delinquent Property Taxes	(8,776)	
Income Taxes	143,384	
Intergovernmental	63,563	
Charges for Services	(44,228)	
Total	153,943	153,943

Other financing sources, such as proceeds from a State Infrastructure Bank Loan, in the governmental funds increases long-term liabilities in the statement of net position. (1,083,823)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 102,994

Some expenses reported in the statement of activities, such as accrued interest, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 1,399

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. (32,268)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	210,846	
OPEB	2,924	
Total	213,770	213,770

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities.

Pension	(562,732)	
OPEB	1,043,869	
Total	481,137	481,137

Change in Net Position of Governmental Activities \$1,382,047

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$1,300,000	\$1,300,000	\$1,604,370	\$304,370
Intergovernmental	181,412	212,984	212,118	(866)
Interest	60,000	60,000	101,442	41,442
Fines, Licenses and Permits	224,500	224,500	192,900	(31,600)
Charges for Services	4,000	4,000	2,221	(1,779)
Rentals	20,000	20,000	11,350	(8,650)
Contributions and Donations	8,600	8,600	5,150	(3,450)
Other	84,500	84,500	192,192	107,692
<i>Total Revenues</i>	<u>1,883,012</u>	<u>1,914,584</u>	<u>2,321,743</u>	<u>407,159</u>
Expenditures				
Current:				
General Government	890,974	972,974	823,640	149,334
Security of Persons and Property	98,698	98,698	72,586	26,112
Transportation	146,103	151,603	135,542	16,061
Public Health and Welfare	38,500	38,500	38,466	34
Leisure Time Activities	38,934	38,934	35,048	3,886
<i>Total Expenditures</i>	<u>1,213,209</u>	<u>1,300,709</u>	<u>1,105,282</u>	<u>195,427</u>
<i>Excess of Revenues Over Expenditures</i>	<u>669,803</u>	<u>613,875</u>	<u>1,216,461</u>	<u>602,586</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	3,000	3,000	0	(3,000)
Transfers Out	(866,000)	(866,000)	(866,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(863,000)</u>	<u>(863,000)</u>	<u>(866,000)</u>	<u>(3,000)</u>
<i>Net Change in Fund Balance</i>	(193,197)	(249,125)	350,461	599,586
<i>Fund Balance Beginning of Year</i>	685,626	685,626	685,626	0
Prior Year Encumbrances Appropriated	90,409	90,409	90,409	0
<i>Fund Balance End of Year</i>	<u>\$582,838</u>	<u>\$526,910</u>	<u>\$1,126,496</u>	<u>\$599,586</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
Road and Bridge Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$215,713	\$216,506	\$216,506	\$0
Intergovernmental	6,766	6,766	6,766	0
<i>Total Revenues</i>	<u>222,479</u>	<u>223,272</u>	<u>223,272</u>	<u>0</u>
Expenditures				
Current:				
General Government	3,700	3,700	3,236	464
Transportation	1,364,880	1,364,880	1,137,755	227,125
<i>Total Expenditures</i>	<u>1,368,580</u>	<u>1,368,580</u>	<u>1,140,991</u>	<u>227,589</u>
<i>Excess of Revenues Under Expenditures</i>	(1,146,101)	(1,145,308)	(917,719)	227,589
Other Financing Sources				
State Infrastructure Bank Loan Issued	1,100,000	1,100,000	1,083,823	(16,177)
<i>Net Change in Fund Balance</i>	(46,101)	(45,308)	166,104	211,412
<i>Fund Deficit Beginning of Year</i>	(824,894)	(824,894)	(824,894)	0
Prior Year Encumbrances Appropriated	1,129,080	1,129,080	1,129,080	0
<i>Fund Balance End of Year</i>	<u>\$258,085</u>	<u>\$258,878</u>	<u>\$470,290</u>	<u>\$211,412</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
Police Levy Fund
For the Year Ended December 31, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$301,999	\$303,108	\$303,108	\$0
Intergovernmental	16,873	19,873	11,672	(8,201)
<i>Total Revenues</i>	318,872	322,981	314,780	(8,201)
Expenditures				
Current:				
Security of Persons and Property	1,170,778	1,170,778	1,138,592	32,186
Debt Service:				
Principal Retirement	25,468	25,468	25,468	0
Fire	1,948	1,948	1,948	0
<i>Total Expenditures</i>	1,198,194	1,198,194	1,166,008	32,186
<i>Excess of Revenues Under Expenditures</i>	(879,322)	(875,213)	(851,228)	23,985
Other Financing Sources				
Transfers In	858,000	858,000	858,000	0
<i>Net Change in Fund Balance</i>	(21,322)	(17,213)	6,772	23,985
<i>Fund Balance Beginning of Year</i>	78,252	78,252	78,252	0
Prior Year Encumbrances Appropriated	6,947	6,947	6,947	0
<i>Fund Balance End of Year</i>	\$63,877	\$67,986	\$91,971	\$23,985

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, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$154,603	\$155,676	\$155,676	\$0
Intergovernmental	24,370	24,370	24,370	0
<i>Total Revenues</i>	<u>178,973</u>	<u>180,046</u>	<u>180,046</u>	<u>0</u>
Expenditures				
Current:				
General Government	2,500	2,500	2,354	146
Security of Persons and Property	318,987	323,987	305,964	18,023
<i>Total Expenditures</i>	<u>321,487</u>	<u>326,487</u>	<u>308,318</u>	<u>18,169</u>
<i>Net Change in Fund Balance</i>	(142,514)	(146,441)	(128,272)	18,169
<i>Fund Balance Beginning of Year</i>	367,898	367,898	367,898	0
Prior Year Encumbrances Appropriated	1,587	1,587	1,587	0
<i>Fund Balance End of Year</i>	<u>\$226,971</u>	<u>\$223,044</u>	<u>\$241,213</u>	<u>\$18,169</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$175,836	\$176,433	\$176,433	\$0
Intergovernmental	27,000	31,620	34,704	3,084
Charges for Services	160,000	160,000	176,677	16,677
<i>Total Revenues</i>	362,836	368,053	387,814	19,761
Expenditures				
Current:				
General Government	2,500	2,700	2,668	32
Security of Persons and Property	522,757	522,757	495,822	26,935
Debt Service:				
Principal Retirement	11,464	11,464	11,464	0
Interest and Fiscal Charges	1,002	1,002	1,002	0
<i>Total Expenditures</i>	537,723	537,923	510,956	26,967
<i>Net Change in Fund Balance</i>	(174,887)	(169,870)	(123,142)	46,728
<i>Fund Balance Beginning of Year</i>	494,138	494,138	494,138	0
Prior Year Encumbrances Appropriated	5,823	5,823	5,823	0
<i>Fund Balance End of Year</i>	\$325,074	\$330,091	\$376,819	\$46,728

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Statement of Fund Net Position
Enterprise Fund
December 31, 2019

	Water
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$1,499,185
Accounts Receivable	89,608
Intergovernmental Receivable	5,012
Prepaid Items	10,370
<i>Total Current Assets</i>	1,604,175
<i>Non-Current Assets:</i>	
Nondepreciable Capital Assets	31,689
Depreciable Capital Assets, Net	3,154,744
<i>Total Non-Current Assets</i>	3,186,433
<i>Total Assets</i>	4,790,608
Deferred Outflows of Resources	
Pension	199,781
OPEB	48,861
<i>Total Deferred Outflows of Resources</i>	248,642
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	7,706
Accrued Wages	4,120
Intergovernmental Payable	50,246
Accrued Interest Payable	5,517
Compensated Absences Payable	11,860
General Obligation Bonds Payable	30,000
Capital Leases Payable	172,315
<i>Total Current Liabilities</i>	281,764
<i>Long-Term Liabilities (net of current portion):</i>	
Compensated Absences Payable	19,189
General Obligation Bonds Payable	215,489
Capital Leases Payable	450,709
Net Pension Liability	469,322
Net OPEB Liability	208,046
<i>Total Long-Term Liabilities</i>	1,362,755
<i>Total Liabilities</i>	1,644,519
Deferred Inflows of Resources	
Pension	6,466
OPEB	564
<i>Total Deferred Inflows of Resources</i>	7,030
Net Position	
Net Investment in Capital Assets	2,328,409
Unrestricted	1,059,292
<i>Total Net Position</i>	\$3,387,701

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, 2019*

	Water
Operating Revenues	
Charges for Services	\$1,055,711
Other	33,990
<i>Total Operating Revenues</i>	1,089,701
Operating Expenses	
Personal Services	449,332
Contractual Services	717,641
Materials and Supplies	42,174
Depreciation	177,796
<i>Total Operating Expenses</i>	1,386,943
<i>Operating Loss</i>	(297,242)
Non-Operating Expenses	
Interest and Fiscal Charges	(33,561)
Loss on Disposal of Capital Assets	(8,566)
<i>Total Non-Operating Expenses</i>	(42,127)
<i>Loss before Capital Contributions</i>	(339,369)
Capital Contributions	5,012
<i>Change in Net Position</i>	(334,357)
<i>Net Position Beginning of Year</i>	3,722,058
<i>Net Position End of Year</i>	\$3,387,701

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, 2019

	Water
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$1,131,349
Other Cash Receipts	33,990
Cash Payments to Employees for Services	(309,758)
Cash Payments for Goods and Services	(725,277)
<i>Net Cash Provided by Operating Activities</i>	130,304
Cash Flows from Capital and Related Financing Activities	
Cash Received from Capital Grants	5,012
Payments for Capital Acquisitions	(8,022)
Principal Paid on General Obligation Bonds	(30,000)
Principal Paid on Capital Leases	(167,410)
Interest Paid on General Obligation Bonds	(11,450)
Interest Paid on Capital Leases	(24,977)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(236,847)
<i>Net Decrease in Cash and Cash Equivalents</i>	(106,543)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,605,728
<i>Cash and Cash Equivalents End of Year</i>	\$1,499,185

(continued)

City of Munroe Falls, Ohio
Statement of Cash Flows
Enterprise Fund (continued)
For the Year Ended December 31, 2019

	Water
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(\$297,242)
Adjustments:	
Depreciation	177,796
Decrease in Assets:	
Accounts Receivable	75,638
Prepaid Items	1,573
Decrease in Deferred Outflows:	
Pension	129,213
OPEB	28,199
Increase (Decrease) in Liabilities:	
Accounts Payable	(9,472)
Contracts Payable	(1,442)
Accrued Wages	181
Compensated Absences Payable	3,714
Intergovernmental Payable	48,528
Net Pension Liability	(509)
Net OPEB Liability	11,396
Decrease in Deferred Inflows:	
Pension	(33,764)
OPEB	(3,505)
 <i>Net Cash Provided by Operating Activities</i>	 <u><u>\$130,304</u></u>

See accompanying notes to the basic financial statements

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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, fire, and EMS), 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 composed 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.

The City participates in one insurance purchasing pool, the Ohio Association of Public Treasurers rating pool. This organization is discussed in Note 18.

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. 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, 2019

The statement of net position presents the financial condition of the governmental and business-type activity 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.

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 or proprietary.

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.

Road and Bridge Fund The road and bridge special revenue fund accounts for and reports property tax collections restricted for general construction, reconstruction, resurfacing, and repair of streets, roads and bridges.

Police Levy Fund The police levy fund accounts for and reports property tax collections restricted for police operations.

Fire Department Special Levy Fund The fire department special levy special revenue fund accounts for 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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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.

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, the proprietary fund is 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 this fund is 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 activity.

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 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.

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

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 9). 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 and OPEB reported in the government-wide statement of net position. The deferred outflows related to pension and OPEB plans are explained in Notes 14 and 15.

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, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 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, intergovernmental grants and charges for services. 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 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 14 and 15).

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, 2019

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".

During 2019, investments were limited to federal home loan bank bonds, federal national mortgage association bonds, federal agriculture mortgage corporation bonds, federal farm credit bank bonds, private export funding corporation bonds, and negotiable certificates of deposit, which are all reported at fair value. Fair value is based on quoted market prices.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2019 amounted to \$151,259, which includes \$90,937 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, 2019, 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.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent money set aside for unclaimed monies and deposits held for individuals.

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 acquisition 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, 2019

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/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and loans are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position are not sufficient for payment of those benefits.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 for other purposes.

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.

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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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 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.

Contributions of Capital

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

Premiums

On the government-wide financial statements, premiums are deferred and amortized for the term of the debt issuance using the straight-line method. Premiums are presented as an increase of the face amount of the debt issuance payable. On governmental fund statements, premiums are receipted in the year the debt issuances are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund.

Internal Activity

Transfers between governmental activities and business-type activity 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 nonoperating 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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Interfund Balances

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension and OPEB items are eliminated in the governmental activities and business-type activity columns of the statement of net position, except for any net residual amounts between governmental activities and business-type activity. These residual amounts are eliminated in the total column of the entity wide statement of net position.

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

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 custodial 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 the department head maintains on their 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.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 3 – Changes in Accounting Principles and Restatement of Fund Balances and Net Position

Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The City evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For 2019, the City also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the City’s 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the City’s financial statements.

GASB Statement 88 improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City’s fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balance as of December 31, 2018:

	General	Road and Bridge	Police Levy	Fire Department Special Levy	EMS Special Levy	Other Governmental Funds	Total Governmental Funds
Fund Balances (Deficit), December 31, 2018	\$1,061,159	(\$130,452)	\$76,757	\$366,587	\$522,979	\$742,997	\$2,640,027
Adjustments: GASB Statement 84	40,472	0	0	0	0	0	40,472
Restated Fund Balances (Deficit), December 31, 2018	<u>\$1,101,631</u>	<u>(\$130,452)</u>	<u>\$76,757</u>	<u>\$366,587</u>	<u>\$522,979</u>	<u>\$742,997</u>	<u>\$2,680,499</u>

City of Munroe Falls, Ohio
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The implementation of GASB Statement No. 84 had the following effect on net position as of December 31, 2018:

	Governmental Activities	Business Type Activity	Total
Net Position December 31, 2018	\$5,649,091	\$3,722,058	\$9,371,149
Adjustments:			
GASB Statement 84	40,472	0	40,472
Restated Net Position December 31, 2018	\$5,689,563	\$3,722,058	\$9,411,621

Related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds, at December 31, 2018, agency funds reported assets and liabilities of \$69,645.

Note 4 – 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	Road and Bridge	Police Levy	Fire Department Special Levy	EMS Special Levy	Other Governmental Funds	Total
<i>Nonspendable:</i>							
Materials and Supplies Inventory	\$31,011	\$0	\$0	\$0	\$0	\$32,252	\$63,263
Prepaid Items	5,437	0	5,933	2,237	1,876	2,898	18,381
Unclaimed Monies	4,096	0	0	0	0	0	4,096
Total Nonspendable	40,544	0	5,933	2,237	1,876	35,150	85,740
<i>Restricted to:</i>							
Capital Projects	0	0	0	0	0	29,191	29,191
Debt Service	0	0	0	0	0	4,133	4,133
Street Maintenance and Repair	0	489,036	0	0	0	438,093	927,129
Fire Department	0	0	0	236,458	0	0	236,458
EMS	0	0	0	0	628,064	0	628,064
Other Purposes	0	0	69,723	0	0	21,703	91,426
Total Restricted	\$0	\$489,036	\$69,723	\$236,458	\$628,064	\$493,120	\$1,916,401

(continued)

City of Munroe Falls, Ohio
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Fund Balances (continued)	General	Road and Bridge	Police Levy	Fire Department Special Levy	EMS Special Levy	Other Governmental Funds	Total
<i>Committed to:</i>							
Capital Projects	\$0	\$0	\$0	\$0	\$0	\$269,313	\$269,313
Other Purposes	0	0	0	0	0	55,550	55,550
Compensated Absences	84,859	0	0	0	0	0	84,859
Total Committed	84,859	0	0	0	0	324,863	409,722
<i>Assigned to:</i>							
Other Purposes	40,472	0	0	0	0	0	40,472
Purchases on Order	28,647	0	0	0	0	0	28,647
Total Assigned	69,119	0	0	0	0	0	69,119
<i>Unassigned</i>	1,398,053	0	0	0	0	0	1,398,053
Total Fund Balances	\$1,592,575	\$489,036	\$75,656	\$238,695	\$629,940	\$853,133	\$3,879,035

Note 5 – Internal Activity

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liability (asset) and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Pension eliminations made between governmental activities and business-type activity totaled \$4,843 in deferred inflows of resources and deferred outflows of resources, respectively.

OPEB eliminations made between governmental activities and business-type activity totaled \$10,768 in deferred inflows of resources and deferred outflows of resources, respectively.

Interfund Transfers

Transfers from the general fund of \$858,000 were used to move unrestricted revenues collected in the general fund to finance the police program accounted for in police levy fund, in accordance with budgetary authorizations, to provide additional resources for current operations.

City of Munroe Falls, Ohio
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Note 6 – Encumbrances

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	\$109,322
Road and Bridge	19,039
Police Levy	5,672
Fire Department Special Levy	1,464
EMS Special Levy	232,344
Other Governmental Funds	<u>20,195</u>
	388,036
Business-Type Activity:	
Water	<u>20,860</u>
Total	<u><u>\$408,896</u></u>

Note 7 – 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 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 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).

City of Munroe Falls, Ohio
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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	Road and Bridge	Police Levy	Fire Special Levy	EMS Special Levy
GAAP Basis	\$490,944	\$619,488	(\$1,101)	(\$127,892)	\$106,961
Adjustment for Revenue Accruals	(39,888)	0	1,199	0	2
Beginning Fair Value Adjustment for Investment	(46,169)	0	0	0	0
Ending Fair Value Adjustment for Investments	(1,120)	0	0	0	0
Adjustment for Expenditure Accruals	62,547	(434,345)	12,346	1,084	2,239
Perspective Difference:					
Compensated Absences	(6,531)	0	0	0	0
Adjustment for Encumbrances	(109,322)	(19,039)	(5,672)	(1,464)	(232,344)
Budget Basis	<u>\$350,461</u>	<u>\$166,104</u>	<u>\$6,772</u>	<u>(\$128,272)</u>	<u>(\$123,142)</u>

Note 8 – 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.

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.

Protection of the City’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution’s participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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;

City of Munroe Falls, Ohio
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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivision of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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.

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

The City has passed an ordinance allowing the City to invest 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.

At year end, the City had \$400 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
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Investments

As of December 31, 2019, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level Two Inputs:				
Federal Home Loan Bank Bonds	\$722,879	Less than three years	AA+	26.30%
Federal National Mortgage Association Bonds	149,364	Less than one year	AA+	5.43
Federal Agriculture Mortgage Corporation Bonds	503,817	Less than two years	AA+	18.33
Federal Farm Credit Bank Bonds	188,451	Less than four years	AA+	6.86
Private Export Funding Corporation Bonds	341,312	Less than three years	N/A	12.42
Negotiable Certificates of Deposit	842,811	Less than four years	N/A	30.66
Total Investments	\$2,748,634			100.00%

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The preceding chart identifies the City's recurring fair value measurements as of December 31, 2019. All of the City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (level 2 inputs).

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.

Credit Risk 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.

Note 9 – Receivables

Receivables at December 31, 2019, consisted primarily of municipal income taxes, property taxes, accounts, 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.

City of Munroe Falls, Ohio
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For the Year Ended December 31, 2019

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2018 public utility property taxes, which became a lien December 31, 2018, are levied after October 1, 2019, and collected in 2020 with real property taxes.

The tax rate for all City operations for the year ended December 31, 2019, was \$8.00 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 2019 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$117,698,960
Public Utility	1,620,650
Total Valuation	<u>\$119,319,610</u>

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, 2019, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2020 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 2.25 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 10 percent to the capital improvement fund and the remainder to the general fund. Amounts above the 10 percent may be allocated depending on the capital improvement projections.

City of Munroe Falls, Ohio
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Intergovernmental Receivable

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

Governmental Activities:	
Gas Tax Distribution	\$144,328
Local Government	78,468
Homestead and Rollback	34,155
Motor Vehicle License Tax	27,226
Stow-Munroe Falls CSD	21,000
Permissive Tax	20,262
Total	325,439
Business-Type Activity:	
ReWorks Grant	5,012
Total	\$330,451

Note 10 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deductions	Balance 12/31/2019
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,608,396	\$0	\$0	\$1,608,396
Construction in Progress	515,883	656,906	0	1,172,789
<i>Total Capital Assets, not being depreciated</i>	2,124,279	656,906	0	2,781,185
<i>Capital Assets, being depreciated</i>				
Land Improvements	383,180	0	0	383,180
Buildings and Improvements	3,912,461	0	0	3,912,461
Equipment	3,128,379	97,143	(445,282)	2,780,240
Infrastructure	1,692,308	0	0	1,692,308
<i>Total Capital Assets, being depreciated</i>	9,116,328	97,143	(445,282)	8,768,189
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(243,824)	(20,552)	0	(264,376)
Buildings and Improvements	(1,809,194)	(89,403)	0	(1,898,597)
Equipment	(2,291,257)	(235,659)	440,087	(2,086,829)
Infrastructure	(490,085)	(56,881)	0	(546,966)
<i>Total Accumulated Depreciation</i>	(4,834,360)	(402,495) *	440,087	(4,796,768)
<i>Total Capital Assets being depreciated, Net</i>	4,281,968	(305,352)	(5,195)	3,971,421
<i>Governmental Activities Capital Assets, Net</i>	\$6,406,247	\$351,554	(\$5,195)	\$6,752,606

City of Munroe Falls, Ohio
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* Depreciation expense was charged to governmental activities as follows:

General Government	\$43,795
Security of Persons and Property	205,293
Transportation	127,314
Leisure Time Activities	26,093
Total Depreciation Expense	<u><u>\$402,495</u></u>

Capital asset activity for business-type activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deductions	Balance 12/31/2019
<i>Business-Type Activity:</i>				
<i>Capital Assets, not being depreciated</i>				
Land	\$31,689	\$0	\$0	\$31,689
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	986,446	0	0	986,446
Equipment	1,432,658	8,022	(75,984)	1,364,696
Infrastructure	3,947,222	0	0	3,947,222
Total Capital Assets, being depreciated	<u>6,366,326</u>	<u>8,022</u>	<u>(75,984)</u>	<u>6,298,364</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(515,379)	(18,865)	0	(534,244)
Equipment	(677,491)	(79,425)	67,418	(689,498)
Infrastructure	(1,840,372)	(79,506)	0	(1,919,878)
Total Accumulated Depreciation	<u>(3,033,242)</u>	<u>(177,796)</u>	<u>67,418</u>	<u>(3,143,620)</u>
Total Capital Assets being depreciated, Net	<u>3,333,084</u>	<u>(169,774)</u>	<u>(8,566)</u>	<u>3,154,744</u>
Business-Type Activity Capital Assets, Net	<u><u>\$3,364,773</u></u>	<u><u>(\$169,774)</u></u>	<u><u>(\$8,566)</u></u>	<u><u>\$3,186,433</u></u>

Note 11 – Capital Leases

In prior years, the City entered into leases for a dump truck, excavators, a leaf vacuum, water meters and meter readers, EMS cots, snow plow trucks, a waterline replacement project, and a radio system. 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. The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Equipment	\$466,124	\$791,407
Infrastructure	0	639,593
Less: Accumulated depreciation	(293,194)	(234,812)
Total	<u><u>\$172,930</u></u>	<u><u>\$1,196,188</u></u>

City of Munroe Falls, Ohio
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The leases provide for minimum, annual lease payments as follows:

	Governmental Activities	Business-Type Activity
2020	\$111,006	\$191,817
2021	39,676	194,206
2022	12,435	80,845
2023	0	70,669
2024	0	70,668
2025	0	70,670
Total Minimum Lease Payment	163,117	678,875
Less: Amount Representing Interest	(6,331)	(55,851)
Present Value of Minimum Lease Payments	\$156,786	\$623,024

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. 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:

Debt Issue	Interest Rate	Original Issue	Date of Maturity
<i>Governmental Activities:</i>			
2018 State Infrastructure Bank Loan from Direct Borrowing	3.00%	\$1,083,823	Not Finalized
<i>Business-Type Activity:</i>			
2011 Capital Asset Acquisition Serial Bonds	2.00 - 4.50	440,000	December 1, 2026

City of Munroe Falls, Ohio
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The changes in long-term obligations during the year were as follows:

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Amounts Due In One Year
Governmental Activities:					
<i>State Infrastructure Bank Loan from</i>					
<i>Direct Borrowing:</i>					
2018 Various Roads Program Loan	\$0	\$1,083,823	\$0	\$1,083,823	\$65,576
<i>Other Long-Term Obligations:</i>					
Capital Leases	259,780	0	(102,994)	156,786	105,969
Compensated Absences	112,817	79,209	(46,941)	145,085	61,466
Net Pension Liability:					
OPERS	689,415	517,408	0	1,206,823	0
OPF	1,423,397	565,106	0	1,988,503	0
Total Net Pension Liability	2,112,812	1,082,514	0	3,195,326	0
Net OPEB Liability:					
OPERS	457,390	77,579	0	534,969	0
OPF	1,314,026	0	(1,092,182)	221,844	0
Total Net OPEB Liability	1,771,416	77,579	(1,092,182)	756,813	0
Total Governmental Activities	\$4,256,825	\$2,323,125	(\$1,242,117)	\$5,337,833	\$233,011
Business-Type Activity:					
<i>General Obligation Bonds:</i>					
2011 Capital Asset Acquisition Bonds	\$265,000	\$0	(\$30,000)	\$235,000	\$30,000
Premium on Bonds	11,987	0	(1,498)	10,489	0
Total General Obligation Bonds	276,987	0	(31,498)	245,489	30,000
<i>Other Long-Term Obligations:</i>					
Capital Leases	790,434	0	(167,410)	623,024	172,315
Compensated Absences	27,335	15,124	(11,410)	31,049	11,860
Net Pension Liability - OPERS	194,452	274,870	0	469,322	0
Net OPEB Liability - OPERS	129,009	79,037	0	208,046	0
Total Long-Term Obligations	1,141,230	369,031	(178,820)	1,331,441	184,175
Total Business-Type Activity	\$1,418,217	\$369,031	(\$210,318)	\$1,576,930	\$214,175

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 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 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.

City of Munroe Falls, Ohio
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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.

In May 2017, the City entered into a capital lease to purchase a radio system through Motorola Solutions. The amount of the lease is \$196,323, with an interest rate of 3.88 percent. Annual payments of principal and interest are to be made through July 2020. Payments are to be paid out of the City's police levy fund, EMS special levy fund and capital improvement fund.

The City has entered into a contractual agreement for a construction loan from the State Infrastructure Bank (SIB). Under the terms of these agreements, the SIB will reimburse, advance or directly pay the construction costs of approved projects. A line of credit has been established with the SIB in the amount of \$1,100,000 for the rehabilitation of fifty-seven local roads consisting of thirty-seven asphalt concrete payment surfaced roads and twenty reinforced concrete payment roads. The balance of the loan at December 31, 2019, was \$1,083,823. Since the loans were not yet finalized, a repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

The SIB loan will be repaid from the property tax revenue generated from the road and bridge property tax levy. Any other legally available revenue source will be used in the event that the levy does not generate enough revenue to cover this loan and other expenses. The loan will be repaid over 8.5 years, at an interest rate of 3.0 percent per year. The SIB loan from direct borrowings contains provisions that in an event of default the outstanding amounts shall become immediately due and payable.

The compensated absences liability will be paid out of the City's general fund, street construction, maintenance and repair fund, state highway improvement fund, police levy fund, motor vehicle license tax fund, fire department special levy fund, EMS special levy fund, and water fund. There is no repayment schedule for the net pension/OPEB liabilities. Employer pension/OPEB contributions are made from the following funds: general fund, street construction, maintenance and repair fund, state highway improvement fund, police levy fund, motor vehicle license tax fund, fire department special levy fund, EMS special levy fund, and water fund. For additional information related to the net pension liability and net OPEB liability see Notes 14 and 15, respectively.

As of December 31, 2019, the City's overall legal debt margin was \$12,532,692 and the unvoted legal debt margin was \$6,331,712. Principal and interest requirements to retire the outstanding debt at December 31, 2019, are as follows:

	<u>Business-Type Activity</u>	
	General Obligation	
	Bonds	
	<u>Principal</u>	<u>Interest</u>
2020	\$30,000	\$10,100
2021	30,000	8,750
2022	30,000	7,550
2023	35,000	6,350
2024	35,000	4,950
2025-2026	75,000	5,175
Totals	<u>\$235,000</u>	<u>\$42,875</u>

City of Munroe Falls, Ohio
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Note 14 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB 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.

The net pension/OPEB liabilities represent the City’s proportionate share of each pension/OPEB plans’ collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans’ fiduciary net position. The net pension/OPEB liabilities calculation are dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code (ORC) limits the City’s obligation for these liabilities 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 and OPEB.

GASB 68/75 assume the liabilities are solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities. Resulting adjustments to the net pension/OPEB liabilities would be effective when the changes are legally enforceable. The ORC permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System. 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual COLA to members of the traditional and combined plans. 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 that 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS' financial report referenced previously for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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 traditional plan benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a COLA of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants

City of Munroe Falls, Ohio
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must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer healthcare rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for healthcare with the remainder going to pension.

For 2019, the City's contractually required contribution was \$129,059 for the traditional plan and \$0 for the member-directed plan. The City does not contribute to the combined plan. Of these amounts, \$3,424 is reported as an intergovernmental payable for the traditional plan and \$0 for the member-directed plan.

Plan Description – Ohio Police & Fire Pension Fund

Plan Description – City full-time police and firefighters participate in 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 COLA, 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 ORC. 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 that 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.

City of Munroe Falls, Ohio
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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 members' 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 after 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 five 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 (see OPF's financial report referenced previously for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a COLA. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

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 over the 13 month period ending on September 30th 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.

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 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	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$117,924 for 2019. Of this amount, \$2,999 is reported as an intergovernmental payable.

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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, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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 of the City's defined benefit pension plans:

	<u>OPERS</u>	<u>OPF</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.00612000%	0.02436100%	
Prior Measurement Date	<u>0.00563400%</u>	<u>0.02319200%</u>	
Change in Proportionate Share	<u>0.00048600%</u>	<u>0.00116900%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,676,145	\$1,988,503	\$3,664,648
Pension Expense	\$379,968	\$313,841	\$693,809

2019 pension expense for the member-directed defined contribution plan was \$0.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$78	\$81,700	\$81,778
Changes of assumptions	145,912	52,718	198,630
Net difference between projected and actual earnings on pension plan investments	227,500	244,982	472,482
Changes in proportion and differences between City contributions and proportionate share of contributions	55,582	154,111	209,693
City contributions subsequent to the measurement date	<u>129,059</u>	<u>117,924</u>	<u>246,983</u>
Total Deferred Outflows of Resources	<u>\$558,131</u>	<u>\$651,435</u>	<u>\$1,209,566</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$22,009	\$1,857	\$23,866
proportionate share of contributions	<u>6,115</u>	<u>0</u>	<u>6,115</u>
Total Deferred Inflows of Resources	<u>\$28,124</u>	<u>\$1,857</u>	<u>\$29,981</u>

\$246,983 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 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
2020	\$174,418	\$166,186	\$340,604
2021	99,620	112,616	212,236
2022	21,105	112,671	133,776
2023	105,805	130,651	236,456
2024	<u>0</u>	<u>9,530</u>	<u>9,530</u>
Total	<u>\$400,948</u>	<u>\$531,654</u>	<u>\$932,602</u>

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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 was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented as follows:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the traditional pension plan, the defined benefit component of the combined plan and

City of Munroe Falls, Ohio
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the annuitized accounts of the member-directed plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

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 following table displays the Board-approved asset allocation policy for 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

Discount Rate For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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 contractually required rates, as actuarially determined. 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 for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$2,476,152	\$1,676,145	\$1,011,330

City of Munroe Falls, Ohio
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Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented as follows:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

City of Munroe Falls, Ohio
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The most recent experience study was completed for the five year period ended December 31, 2016.

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 expected. 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, 2018, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	120.00 %	

Note: Assumptions are geometric.

* 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 previously disclosed, 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 8.00 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 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$2,613,748	\$1,988,503	\$1,466,017

Note 15 – Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability.

Plan Description – 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 a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment 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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 No. 75. See OPERS’ annual financial report referenced later for additional information.

The Ohio Revised Code (ORC) 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 Board in Chapter 145 of the ORC.

Disclosures for the health care plan are presented separately in the OPERS’ annual 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 ORC provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS’ Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their 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 into the RMA for participants in the member-directed plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$0 for 2019.

Plan Description – Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OPF implemented a new model for health care. Under this new model, OPF provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OPF health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OPF. Even if an OPF member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code (ORC) 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 ORC.

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

Funding Policy – The ORC 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 fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 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.

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

The City's contractually required contribution to OPF was \$2,924 for 2019. Of this amount, \$75 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OPF's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OPF	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.00569900%	0.02436100%	
Prior Measurement Date	0.00540000%	0.02319200%	
Change in Proportionate Share	0.00029900%	0.00116900%	
			Total
Proportionate Share of the Net Pension Liability	\$743,015	\$221,844	\$964,859
OPEB Expense	\$73,482	(\$1,081,261)	(\$1,007,779)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$252	\$0	\$252
Changes of assumptions	23,955	114,993	138,948
Net difference between projected and actual earnings on pension plan investments	34,063	7,510	41,573
Changes in proportion and differences between City contributions and proportionate share of contributions	21,776	65,432	87,208
City contributions subsequent to the measurement date	0	2,924	2,924
Total Deferred Outflows of Resources	\$80,046	\$190,859	\$270,905
Deferred Inflows of Resources			
Differences between expected and actual experience	\$2,016	\$5,943	\$7,959
Changes of assumptions	0	61,417	61,417
Changes in proportion and differences between City contributions and proportionate share of contributions	4,993	0	4,993
Total Deferred Inflows of Resources	\$7,009	\$67,360	\$74,369

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

\$2,924 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2020	\$32,782	\$20,728	\$53,510
2021	17,157	20,728	37,885
2022	5,937	20,728	26,665
2023	17,161	22,999	40,160
2024	0	19,418	19,418
Thereafter	0	15,974	15,974
Total	\$73,037	\$120,575	\$193,612

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 health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was effective for the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.6 percent for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$950,593	\$743,015	\$577,936

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuary's project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$714,199	\$743,015	\$776,204

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Actuarial Assumptions – OPF

OPF’s total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OPF’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented as follows:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

The OPF health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, the total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OPF's fiduciary net position was projected to not be able to make all future benefit payments of current plan members; therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$270,267	\$221,844	\$181,198

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 16 – 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.

Note 17 – Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2019, the City's property and liability insurance carrier was Selective Insurance Company.

The City insured its property, including building and contents, up to \$11,729,752 with a \$500 deductible. In addition, the City carried insurance for general liability, auto liability, public officials liability, and law enforcement liability with limits of \$1,000,000 per occurrence. The City also carried inland marine insurance for scheduled equipment with a \$500 deductible and crime insurance covering employee theft per loss up to \$250,000, with a \$1,000 deductible. The umbrella liability has a \$6,000,000 limit per occurrence and an annual aggregate limit of \$6,000,000. The aggregate limit applies separately to each line of coverage and per location. 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 four years.

Workers' Compensation

The City participates in the Ohio Association of Public Treasurer's (OAPT) group retrospective rating pool (See Note 18). The intent of the OAPT is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management by virtue of its grouping and representation with other participants. The workers' compensation experience rating of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the group. Each participant pays its workers' compensation premium to the State based on the rate for the OAPT group rather than its individual rate. Participation in the OAPT group is limited to cities that can meet the OAPT's selection criteria. The firm of Comp Management, Incorporated provides administrative, cost control, and actuarial services to the OAPT.

City of Munroe Falls, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 18 – Insurance Purchasing Pool

The Ohio Association of Public Treasurers has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The governing body is comprised of the members who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the City and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Incorporated to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on claims experience of each member as compared to the total claims experience of the group.

Note 19 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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 Six Years (1) **

	2019	2018	2017	2016
City's Proportion of the Net Pension Liability	0.00612000%	0.00563400%	0.00572400%	0.00615800%
City's Proportionate Share of the Net Pension Liability	\$1,676,145	\$883,867	\$1,299,823	\$1,066,644
City's Covered Payroll	\$826,079	\$744,554	\$739,917	\$767,736
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.90%	118.71%	175.67%	138.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

2015	2014
0.00579400%	0.00579400%
\$698,821	\$683,037
\$710,308	\$678,300
98.38%	100.70%
86.45%	86.36%

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.00569900%	0.00540000%	0.00554000%
City's Proportionate Share of the Net OPEB Liability	\$743,015	\$586,399	\$559,559
City's Covered Payroll	\$826,079	\$765,329	\$764,942
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.94%	76.62%	73.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Although this schedule is intended to show information for ten years, information prior to 2017 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

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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 Six Years (1) **

	2019	2018	2017	2016
City's Proportion of the Net Pension Liability	0.02436100%	0.02319200%	0.02277800%	0.02080300%
City's Proportionate Share of the Net Pension Liability	\$1,988,503	\$1,423,397	\$1,442,735	\$1,338,271
City's Covered Payroll	\$581,786	\$571,084	\$461,829	\$495,035
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	341.79%	249.24%	312.40%	270.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

2015	2014
0.01924640%	0.01924640%
\$997,044	\$937,360
\$407,370	\$432,746
244.75%	216.61%
71.71%	73.00%

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.02436100%	0.02319200%	0.02277800%
City's Proportionate Share of the Net OPEB Liability	\$221,844	\$1,314,026	\$1,081,220
City's Covered Payroll	\$581,786	\$571,084	\$461,829
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.13%	230.09%	234.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Although this schedule is intended to show information for ten years, information prior to 2017 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$129,059	\$115,651	\$96,792	\$88,790
Contributions in Relation to the Contractually Required Contribution	<u>(129,059)</u>	<u>(115,651)</u>	<u>(96,792)</u>	<u>(88,790)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$921,850	\$826,079	\$744,554	\$739,917
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan (3)				
Contractually Required Contribution	\$0	\$0	\$8,277	\$15,799
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(8,277)</u>	<u>(15,799)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$921,850	\$826,079	\$765,329	\$764,942
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>1.08%</u>	<u>2.07%</u>

(1) Although this schedule is intended to show information for ten years, information prior to 2013 is not available. An additional column will be added each year.

(2) The OPEB plan includes the members from the traditional plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

(3) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$92,128	\$85,237	\$88,179
<u>(92,128)</u>	<u>(85,237)</u>	<u>(88,179)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$767,736	\$710,308	\$678,300
<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>

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

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	\$117,924	\$117,150	\$115,157	\$93,139
Contributions in Relation to the Contractually Required Contribution	(117,924)	(117,150)	(115,157)	(93,139)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$584,769	\$581,786	\$571,084	\$461,829
Pension Contributions as a Percentage of Covered Payroll	<u>20.17%</u>	<u>20.14%</u>	<u>20.16%</u>	<u>20.17%</u>
Net OPEB Liability				
Contractually Required Contribution	\$2,924	\$2,909	\$2,855	\$2,309
Contributions in Relation to the Contractually Required Contribution	(2,924)	(2,909)	(2,855)	(2,309)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>20.67%</u>	<u>20.64%</u>	<u>20.66%</u>	<u>20.67%</u>

(1) The City's covered payroll is the same for pension and OPEB.

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$97,801	\$80,545	\$73,076	\$66,710	\$74,220	\$82,074
(97,801)	(80,545)	(73,076)	(66,710)	(74,220)	(82,074)
\$0	\$0	\$0	\$0	\$0	\$0
\$495,035	\$407,370	\$432,746	\$477,808	\$532,642	\$594,646
19.76%	19.77%	16.89%	13.96%	13.93%	13.80%
\$2,475	\$2,036	\$15,651	\$32,252	\$35,953	\$40,139
(2,475)	(2,036)	(15,651)	(32,252)	(35,953)	(40,139)
\$0	\$0	\$0	\$0	\$0	\$0
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%
20.26%	20.27%	20.51%	20.71%	20.68%	20.55%

City of Munroe Falls, Ohio
Notes to Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and in 2016 and prior are presented as follows:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the previously described tables.

Amounts reported for 2016 and prior use mortality rates 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.

Changes in Assumptions – OPERS Pension – Combined Plan

For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

Changes in Assumptions – OPF Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OPF in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented as follows:

City of Munroe Falls, Ohio
Notes to Required Supplementary Information
For the Year Ended December 31, 2019

	Beginning in 2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported beginning 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were 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.

Changes in Assumptions – OPERS OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost tend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

City of Munroe Falls, Ohio
Notes to Required Supplementary Information
For the Year Ended December 31, 2019

Changes in Assumptions – OPF OPEB

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

Changes in Benefit Terms – OPF OPEB

For 2019, OPF recognized a change in benefit terms. Under this new model, OPF provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

OHIO AUDITOR OF STATE KEITH FABER



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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, OH 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 (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 25, 2020, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and referred to the financial impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods.

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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 25, 2020

OHIO AUDITOR OF STATE KEITH FABER



CITY OF MUNROE FALLS

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/20/2020

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This report is a matter of public record and is available online at
www.ohioauditor.gov