



Dave Yost · Auditor of State

**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of New Franklin
Summit County
5611 Manchester Road
Akron, Ohio 44319

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of New Franklin, Summit County, Ohio, (the City), as of and for the year ended, December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of New Franklin, Summit County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Street Maintenance and Repair, Police District, and Fire District funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

City of New Franklin
Summit County
Independent Accountants' Report
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Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Dave Yost
Auditor of State

September 7, 2011

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

The discussion and analysis of the City of New Franklin's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. 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 2010 are as follows:

- The City's net assets increased \$.2 million over 2009, which is an increase of 2.2%.
- General revenues accounted for \$5.2 million or 78.2% of total governmental activities revenue and program revenues accounted for \$1.4 million or 21.8% of total governmental activities revenue of \$6.6 million. Program expenses amounted to \$6.4 million in 2010.
- The City purchased vehicles for the police and fire departments and made improvements to Fire Station #1 in 2010. The City also purchased equipment for the streets department and made improvements to Sisler Park. Overall the City's capital assets increased \$.8 million.

The Statement of Net Assets and the Statement of Activities (on pages 12 and 13, respectively) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements begin on page 14. For governmental funds, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (land, roads, building, etc...) to assess the *overall health* of the City.

The Statement of Net Assets and the Statement of Activities consist of governmental activities.

- **Governmental Activities** - The City's basic services are reported here, including the police, fire, street and highway maintenance, capital improvement, vehicle acquisition, parks and recreation, and general administrative. Income taxes, property taxes, undivided local government, ambulance user fees and state and federal grants finance most of these activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds, governmental, proprietary, and fiduciary, use different accounting approaches.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Maintenance and Repair Fund, Police District Fund and Fire District Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund, Street Maintenance and Repair Fund, Police District Fund and Fire District Fund to demonstrate compliance with this budget.

Our analysis of the City's major funds begins on page 9.

Proprietary Funds - When the City charges customers for the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

The proprietary fund financial statements begin on page 22.

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

The fiduciary fund financial statements begin on page 25.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

The City as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for 2010 compared to 2009.

(Table 1)
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Current and Other Assets	\$ 7,839,730	\$ 8,298,449
Capital Assets, Net	<u>4,932,674</u>	<u>4,170,074</u>
Total Assets	<u>12,772,404</u>	<u>12,468,523</u>
Liabilities		
Current and Other Liabilities	3,259,498	3,057,345
Long Term Liabilities:		
Due Within One Year	124,920	94,839
Due in More than One Year	<u>578,428</u>	<u>692,631</u>
Total Liabilities	<u>3,962,846</u>	<u>3,844,815</u>
Net Assets		
Invested in Capital Assets Net of Debt	4,847,225	4,058,584
Restricted		
Debt Service	2,183	2,183
Capital Outlay	111,161	79,156
Police and Fire Operating	102,646	454,086
Street Maintenance and Repair	1,082,034	1,254,170
Other Purposes	653,186	431,079
Unrestricted	<u>2,011,123</u>	<u>2,344,450</u>
Total Net Assets	<u>\$ 8,809,558</u>	<u>\$ 8,623,708</u>

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

The City's net assets changed during the period, *increasing* from \$8.6 million to \$8.8 million, or 2.2%. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased from \$2.3 million in 2009 to \$2.0 million in 2010. Restricted net assets, those restricted mainly for debt service and special purposes such as street cleaning or maintenance, police and fire operating decreased by \$.3 million. Increases in accounts payable and matured compensated absences can be partially attributed to this change as well as a decrease in cash. The investments in capital assets, net of related debt category had a \$.8 million increase in 2010.

Table 2 shows the changes in net assets for 2010 and 2009. This will enable readers to draw further conclusions about the City's financial status and possibly project future problems.

Table 2
Change in Net Assets
Governmental Activities

	2010	2009
<i>Revenues</i>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 478,186	\$ 548,004
Operating Grants and Contributions	<u>965,153</u>	<u>1,265,910</u>
Total Program Revenues	<u>1,443,339</u>	<u>1,813,914</u>
<i>General Revenue:</i>		
Property Taxes	3,086,843	2,912,657
City Income Taxes	847,082	729,314
Grants and Entitlements	1,147,106	1,571,064
Interest and Investment Earnings	6,768	294
Other	<u>80,195</u>	<u>28,926</u>
Total General Revenues	<u>5,167,994</u>	<u>5,242,255</u>
<i>Total Revenues</i>	<u>6,611,333</u>	<u>7,056,169</u>
<i>Program Expenses</i>		
General Government	944,737	1,188,857
Security of Persons and Property	4,117,915	3,711,431
Public Health	127,998	130,188
Community Development	128,885	124,367
Transportation	1,050,457	558,862
Leisure Time	50,418	66,027
Interest and Fiscal Charges	<u>5,073</u>	<u>2,861</u>
<i>Total Expenses</i>	<u>6,425,483</u>	<u>5,782,593</u>
<i>Change in Net Assets</i>	<u>\$ 185,850</u>	<u>\$ 1,273,576</u>

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

The operating grants and contributions decreased while security and transportation expenses increased from 2009. This is due, in part, to grants received in 2009 for the assistance to firefighters and road improvements for expenses that occurred in 2010.

Governmental Activities

Property taxes, the 1.0% income tax and the grants and entitlements are the largest sources of revenue for the City. Income tax revenues are allocated based on City ordinance. The Parks and Recreation Fund receives 5% of the collections and the balance goes to the General Fund. General fund also pays all costs of collecting the taxes and administering and enforcing the provisions.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	2010		2009	
	Total Cost	Net Cost	Total Cost	Net Cost
General Government	\$ 944,737	\$ 846,747	\$ 1,188,857	\$ 1,056,388
Security of Persons and Property	4,117,915	3,635,846	3,711,431	3,027,706
Public Health	127,998	110,423	130,188	108,693
Community Development	128,885	118,475	124,367	120,323
Transportation	1,050,457	238,083	558,862	(397,831)
Leisure Time	50,418	27,497	66,027	50,539
Interest and Fiscal Charges	5,073	5,073	2,861	2,861
<i>Total Expenses</i>	<u>\$ 6,425,483</u>	<u>\$ 4,982,144</u>	<u>\$ 5,782,593</u>	<u>\$ 3,968,679</u>

The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. The unfunded balance in the net cost demonstrates the inability to recover the increased cost of the program under the current revenue policies. Changes in net cost for transportation can vary from year to year. This is caused by the timing differences of when revenues are collected as compared to when projects are completed.

When looking at sources of income to support governmental activities, it should be noted that the charges for services are only 7.2% of revenue. Revenues provided by sources other than city residents in the form of operating grants comprise another 14.6%. The remaining revenues are primarily generated locally through property (46.7%), income taxes (12.8%) and grants and entitlements not restricted to specific programs (17.4%). Miscellaneous revenues and interest comprise approximately 1.3%.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

The City's Funds

Governmental Funds

Information about the City's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$6.8 million and expenditures of \$7.2 million. The General Fund balance decreased \$.5 million, the Street Maintenance and Repair Fund balance decreased \$18,854, the Police District Fund decreased \$129,083 and the Fire District Fund decreased \$46,111. The largest change was in the General Fund with a \$.4 million decrease in revenues and a \$.5 million increase in expenditures. The timing of intergovernmental revenues to cover expenditures partially contributed to these changes.

Proprietary Fund

The City's only proprietary fund is the Internal Service Fund which is rolled into in the government-wide financial statements.

Information about the City's proprietary fund begins on page 22.

General Fund Budgeting Highlights

The budgetary process is prescribed by provisions of the Ohio Revised Code and the Codified Ordinance of the City and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Alternative Tax Budget, the Certificate of Estimated Resources and the Appropriation Ordinance: all are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level. Any budgetary modifications at this level may only be made by resolution of City Council.

General Fund actual revenues were less than original and final estimated revenues by \$.4 million and \$.5 million, respectively, with taxes and intergovernmental revenues accounting for the differences. Actual expenditures were less than original and final appropriations by \$.6 million and \$.7 million, respectively. General government expenditures made up nearly half of the difference with security of persons and property and community development accounting for the rest.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Capital Asset and Debt Administration

Capital Assets

At the end of 2010, the City had \$4.9 million invested in furniture and equipment, land, buildings and improvements, vehicles and infrastructure (see below). This amount represents a net increase over last year. Table 4 shows 2010 balances compared with 2009.

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2010	2009
Land	\$ 847,865	\$ 739,496
Buildings and Improvements	935,195	894,414
Furniture and Equipment	687,187	736,769
Vehicles	1,222,948	1,212,058
Infrastructure	<u>1,239,479</u>	<u>587,337</u>
Totals	<u><u>\$ 4,932,674</u></u>	<u><u>\$ 4,170,074</u></u>

This year's major capital asset activity included the following:

- Police Carport, new police vehicles and dispatch equipment.
- Improvements to Fire Station #1 and a new fire vehicle.
- Improvements to Sisler Park.
- New equipment and asphalt resurfacing for the road department.

More detailed information about the City's capital assets is presented in Note 6 to the basic financial statements.

Debt

At December 31, 2010, the City had no outstanding long term debt obligations, other than capital leases and compensated absences. See Note 10 for additional information.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
(Unaudited)

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director at 5611 Manchester Road, Akron, Ohio 44319.

City of New Franklin, Summit County

Statement of Net Assets

December 31, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,531,767
Receivables:	
Accounts	103,633
Interest	2,408
Taxes	3,162,974
Intergovernmental	1,038,948
Noncurrent Assets:	
Non Depreciable Capital Assets	847,865
Depreciable Capital Assets (Net of Depreciation)	<u>4,084,809</u>
<i>Total Assets</i>	<u>12,772,404</u>
Liabilities	
Accounts Payable	91,540
Intergovernmental Payable	134,753
Accrued Wages	50,028
Deferred Revenue	2,822,355
Claims Payable	37,098
Matured Compensated Absences	123,724
Long Term Liabilities:	
Due Within One Year	124,920
Due In More Than One Year	<u>578,428</u>
<i>Total Liabilities</i>	<u>3,962,846</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,847,225
Restricted for:	
Debt Service	2,183
Capital Projects	111,161
Police and Fire Operations	102,646
Street Maintenance and Repair	1,082,034
Other Purposes	653,186
Unrestricted	<u>2,011,123</u>
<i>Total Net Assets</i>	<u>\$ 8,809,558</u>

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	
Governmental Activities					
General Government	\$ 944,737	\$ 97,990	\$ 0	\$ (846,747)	
Security of Persons and Property	4,117,915	352,211	129,858	(3,635,846)	
Public Health	127,998	17,575	0	(110,423)	
Community Development	128,885	10,410	0	(118,475)	
Transportation	1,050,457	0	812,374	(238,083)	
Leisure Time	50,418	0	22,921	(27,497)	
Interest and Fiscal Charges	5,073	0	0	(5,073)	
<i>Total Governmental Activities</i>	<u>6,425,483</u>	<u>478,186</u>	<u>965,153</u>	<u>(4,982,144)</u>	
<i>Totals</i>	<u>\$ 6,425,483</u>	<u>\$ 478,186</u>	<u>\$ 965,153</u>	<u>(4,982,144)</u>	

General Revenues:

Property Taxes Levied for:	
General Operations	161,086
Street Maintenance and Repair	398,580
Police and Fire Operations	2,527,177
Municipal Income Taxes Levied for:	
General Operations	817,558
Other Purposes	29,524
Grants and Entitlements not Restricted to	
Specific Programs	1,147,106
Interest and Investment Earnings	6,768
Other	<u>80,195</u>
<i>Total General Revenues</i>	<u>5,167,994</u>
<i>Change in Net Assets</i>	<u>185,850</u>
<i>Net Assets Beginning of Year</i>	<u>8,623,708</u>
<i>Net Assets End of Year</i>	<u>\$ 8,809,558</u>

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County

*Balance Sheet
Governmental Funds
December 31, 2010*

	General	Street Maintenance and Repair	Police District	Fire District	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 1,133,880	\$ 898,978	\$ 106,042	\$ 488,749	\$ 738,585	\$ 3,366,234
Receivables:						
Accounts	88,622	0	242	14,165	0	103,029
Interest	2,408	0	0	0	0	2,408
Taxes	413,702	383,370	692,701	1,673,201	0	3,162,974
Intergovernmental	337,304	350,775	54,486	137,662	158,721	1,038,948
Interfund Receivable	125,678	0	0	0	0	125,678
<i>Total Assets</i>	<i>\$ 2,101,594</i>	<i>\$ 1,633,123</i>	<i>\$ 853,471</i>	<i>\$ 2,313,777</i>	<i>\$ 897,306</i>	<i>\$ 7,799,271</i>
Liabilities and Fund Balance						
Liabilities:						
Accounts Payable	\$ 11,445	\$ 24,286	\$ 1,588	\$ 52,825	\$ 1,396	\$ 91,540
Intergovernmental Payable	7,814	9,769	32,676	79,121	5,373	134,753
Accrued Wages	5,357	6,717	12,298	22,308	3,348	50,028
Matured Compensated Absences	0	0	123,724	0	0	123,724
Interfund Payable	0	0	0	0	125,678	125,678
Deferred Revenue	496,266	659,958	747,187	1,810,863	28,224	3,742,498
<i>Total Liabilities</i>	<i>520,882</i>	<i>700,730</i>	<i>917,473</i>	<i>1,965,117</i>	<i>164,019</i>	<i>4,268,221</i>
Fund Balance:						
Reserved for Encumbrances	16,229	53,279	0	207	71,371	141,086
Unreserved, Undesignated, (Deficit) Reported In:						
General Fund	1,564,483	0	0	0	0	1,564,483
Special Revenue Funds	0	879,114	(64,002)	348,453	548,572	1,712,137
Debt Service Fund	0	0	0	0	2,183	2,183
Capital Projects Funds	0	0	0	0	111,161	111,161
<i>Total Fund Balances (Deficit)</i>	<i>1,580,712</i>	<i>932,393</i>	<i>(64,002)</i>	<i>348,660</i>	<i>733,287</i>	<i>3,531,050</i>
<i>Total Liabilities and Fund Balances</i>	<i>\$ 2,101,594</i>	<i>\$ 1,633,123</i>	<i>\$ 853,471</i>	<i>\$ 2,313,777</i>	<i>\$ 897,306</i>	<i>\$ 7,799,271</i>

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Reconciliation of Total Governmental Fund Balances to
Net Assets Governmental Activities
December 31, 2010

Total Governmental Fund Balances	\$ 3,531,050
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	4,932,674
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	\$ 83,104
Municipal Income Tax	112,439
Intergovernmental	<u>724,600</u>
Total	920,143

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	129,039
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(617,899)
Capital Leases	<u>(85,449)</u>
Total	<u>(703,348)</u>

<i>Net Assets of Governmental Activities</i>	<u>\$ 8,809,558</u>
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See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Street Maintenance and Repair	Police District	Fire District	Other Governmental Funds	Total Governmental Funds
Revenues						
Local Taxes	\$ 1,012,186	\$ 395,475	\$ 762,773	\$ 1,744,194	\$ 39,748	\$ 3,954,376
Intergovernmental Revenue	661,979	673,636	109,459	276,609	529,031	2,250,714
Fees, Licenses and Permits	102,168	0	0	0	568	102,736
Fines and Forfeitures	1,309	0	0	0	319	1,628
Charges for Services	248,927	0	66,637	14,165	49,901	379,630
Interest Income	6,768	1,195	0	0	365	8,328
Rentals	20,949	0	0	0	0	20,949
Gifts and Donations	0	0	656	1,025	0	1,681
Miscellaneous	0	9,072	35,636	14,541	0	59,249
<i>Total Revenues</i>	<i>2,054,286</i>	<i>1,079,378</i>	<i>975,161</i>	<i>2,050,534</i>	<i>619,932</i>	<i>6,779,291</i>
Expenditures						
Current:						
General Government	1,322,497	0	0	0	7,785	1,330,282
Security of Persons and Property	892,104	0	1,074,244	1,996,236	11,738	3,974,322
Public Health	110,590	0	0	0	17,408	127,998
Community Development	128,194	0	0	0	0	128,194
Transportation	0	1,011,194	0	0	137,041	1,148,235
Leisure Time	0	0	0	0	48,850	48,850
Capital Outlay	93,571	86,768	30,000	69,295	151,756	431,390
Debt Service:						
Principal Retirement	0	0	0	26,041	0	26,041
Interest and Fiscal Charges	0	0	0	5,073	0	5,073
<i>Total Expenditures</i>	<i>2,546,956</i>	<i>1,097,962</i>	<i>1,104,244</i>	<i>2,096,645</i>	<i>374,578</i>	<i>7,220,385</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(492,670)</i>	<i>(18,584)</i>	<i>(129,083)</i>	<i>(46,111)</i>	<i>245,354</i>	<i>(441,094)</i>
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	50,000	50,000
Transfers Out	(50,000)	0	0	0	0	(50,000)
<i>Total Other Financing Sources (Uses)</i>	<i>(50,000)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>50,000</i>	<i>0</i>
<i>Net Change in Fund Balance</i>	<i>(542,670)</i>	<i>(18,584)</i>	<i>(129,083)</i>	<i>(46,111)</i>	<i>295,354</i>	<i>(441,094)</i>
<i>Fund Balance Beginning of Year</i>	<i>2,123,382</i>	<i>950,977</i>	<i>65,081</i>	<i>394,771</i>	<i>437,933</i>	<i>3,972,144</i>
<i>Fund Balance End of Year</i>	<i>\$ 1,580,712</i>	<i>\$ 932,393</i>	<i>\$ (64,002)</i>	<i>\$ 348,660</i>	<i>\$ 733,287</i>	<i>\$ 3,531,050</i>

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (441,094)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	\$ 1,093,778
Current Year Depreciation	<u>(331,178)</u>
Total	762,600

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

Delinquent Property Taxes	24,579
Municipal Income Taxes	<u>(45,030)</u>
Grants	<u>(211,426)</u>
Intergovernmental	<u>69,727</u>
Special Assessments	<u>(5,808)</u>
Total	(167,958)

The issuance of long term debt provide current financial resources to the governmental funds while the repayment of principal of long term debt consumes the current financial resources, and reduces long term liabilities and capital leases in the statement of net assets.

Capital Leases	26,041
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Some expenses reported in the statement of activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	58,081
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the city-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.

(51,820)

Change in Net Assets of Governmental Activities	<u>\$ 185,850</u>
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See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Year Ended December 31, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 1,108,438	\$ 1,217,855	\$ 954,517	\$ (263,338)
Intergovernmental Revenue	805,264	805,264	652,661	(152,603)
Fees, Licenses and Permits	83,700	83,700	102,053	18,353
Fines and Forfeitures	2,500	2,500	1,249	(1,251)
Charges for Services	305,550	305,550	211,544	(94,006)
Interest Income	0	0	4,360	4,360
Rentals	9,500	9,500	20,949	11,449
<i>Total Revenues</i>	<u>2,314,952</u>	<u>2,424,369</u>	<u>1,947,333</u>	<u>(477,036)</u>
Expenditures				
Current:				
General Government	1,621,490	1,677,634	1,332,529	345,105
Security of Persons and Property	1,086,465	1,107,789	911,856	195,933
Public Health	120,000	120,000	110,590	9,410
Community Development	224,500	224,500	128,438	96,062
Capital Outlay	107,000	161,829	104,453	57,376
<i>Total Expenditures</i>	<u>3,159,455</u>	<u>3,291,752</u>	<u>2,587,866</u>	<u>703,886</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(844,503)</u>	<u>(867,383)</u>	<u>(640,533)</u>	<u>226,850</u>
Other Financing Sources (Uses)				
Advances In	0	0	211,426	211,426
Transfers Out	<u>(476)</u>	<u>(476)</u>	<u>(50,000)</u>	<u>(49,524)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(476)</u>	<u>(476)</u>	<u>161,426</u>	<u>161,902</u>
<i>Net Change in Fund Balance</i>	<u>(844,979)</u>	<u>(867,859)</u>	<u>(479,107)</u>	<u>388,752</u>
<i>Fund Balance Beginning of Year</i>	<u>1,709,841</u>	<u>1,709,841</u>	<u>1,709,841</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>6,190</u>	<u>6,190</u>	<u>6,190</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 871,052</u>	<u>\$ 848,172</u>	<u>\$ 1,236,924</u>	<u>\$ 388,752</u>

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Street Maintenance and Repair Fund
 For the Year Ended December 31, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
Revenues					
Local Taxes	\$ 355,000	\$ 355,000	\$ 395,475	\$ 40,475	
Intergovernmental Revenue	751,000	751,000	701,846	(49,154)	
Interest Income	0	0	1,195	1,195	
Miscellaneous	2,638	1,206	9,072	7,866	
<i>Total Revenues</i>	<i>1,108,638</i>	<i>1,107,206</i>	<i>1,107,588</i>	<i>382</i>	
Expenditures					
Current:					
Transportation	1,526,675	1,708,793	1,067,361	641,432	
Capital Outlay	194,600	244,600	86,768	157,832	
<i>Total Expenditures</i>	<i>1,721,275</i>	<i>1,953,393</i>	<i>1,154,129</i>	<i>799,264</i>	
<i>Net Change in Fund Balance</i>	<i>(612,637)</i>	<i>(846,187)</i>	<i>(46,541)</i>	<i>799,646</i>	
<i>Fund Balance Beginning of Year</i>	<i>860,547</i>	<i>860,547</i>	<i>860,547</i>	<i>0</i>	
Prior Year Encumbrances Appropriated	8,500	8,500	8,500	0	
<i>Fund Balance End of Year</i>	<i>\$ 256,410</i>	<i>\$ 22,860</i>	<i>\$ 822,506</i>	<i>\$ 799,646</i>	

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Police District Fund
For the Year Ended December 31, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
Revenues					
Local Taxes	\$ 820,300	\$ 820,300	\$ 762,773	\$ (57,527)	
Intergovernmental Revenue	78,000	78,000	109,482	31,482	
Charges for Services	41,204	42,183	66,637	24,454	
Gifts and Donations	500	500	656	156	
Miscellaneous	2,000	2,000	35,636	33,636	
<i>Total Revenues</i>	<i>942,004</i>	<i>942,983</i>	<i>975,184</i>	<i>32,201</i>	
Expenditures					
Current:					
Security of Persons and Property	945,565	962,573	939,813	22,760	
Capital Outlay	30,000	30,000	30,000	0	
<i>Total Expenditures</i>	<i>975,565</i>	<i>992,573</i>	<i>969,813</i>	<i>22,760</i>	
<i>Net Change in Fund Balance</i>	<i>(33,561)</i>	<i>(49,590)</i>	<i>5,371</i>	<i>54,961</i>	
<i>Fund Balance Beginning of Year</i>	<i>100,671</i>	<i>100,671</i>	<i>100,671</i>	<i>0</i>	
<i>Fund Balance End of Year</i>	<i>\$ 67,110</i>	<i>\$ 51,081</i>	<i>\$ 106,042</i>	<i>\$ 54,961</i>	

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Fire District Fund
 For the Year Ended December 31, 2010*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 1,850,000	\$ 1,850,000	\$ 1,744,194	\$ (105,806)
Intergovernmental Revenue	170,361	171,778	276,609	104,831
Gifts and Donations	100	100	1,025	925
Miscellaneous	4,000	4,000	14,541	10,541
<i>Total Revenues</i>	<i>2,024,461</i>	<i>2,025,878</i>	<i>2,036,369</i>	<i>10,491</i>
Expenditures				
Current:				
Security of Persons and Property	2,273,154	2,238,854	1,953,136	285,718
Capital Outlay	85,450	135,272	119,065	16,207
Debt Service:				
Principal Retirement	26,041	26,041	26,041	0
Interest and Fiscal Charges	5,073	5,073	5,073	0
<i>Total Expenditures</i>	<i>2,389,718</i>	<i>2,405,240</i>	<i>2,103,315</i>	<i>301,925</i>
<i>Net Change in Fund Balance</i>	<i>(365,257)</i>	<i>(379,362)</i>	<i>(66,946)</i>	<i>312,416</i>
<i>Fund Balance Beginning of Year</i>	<i>498,856</i>	<i>498,856</i>	<i>498,856</i>	<i>0</i>
Prior Year Encumbrances Appropriated	5,900	5,900	5,900	0
<i>Fund Balance End of Year</i>	<i>\$ 139,499</i>	<i>\$ 125,394</i>	<i>\$ 437,810</i>	<i>\$ 312,416</i>

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County

Statement of Fund Net Assets

Proprietary Funds

December 31, 2010

**Governmental
Activities -
Internal Service
Fund**

Assets

Current Assets

Equity in Pooled Cash and Cash Equivalents	\$ 165,533
Accounts Receivable	604
	<hr/>

Total Assets

166,137

Liabilities

Current Liabilities

Claims Payable	<hr/> 37,098
	<hr/>

Total Liabilities

37,098

Net Assets

Unrestricted

Total Net Assets

129,039

\$ 129,039

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

Governmental Activities - Internal Service Fund	
Operating Revenues	
Charges for Services	\$ 834,666
<i>Total Operating Revenues</i>	<hr/> <hr/> 834,666
Operating Expenses	
Contractual Service	28,415
Claims	<hr/> 858,071
<i>Total Operating Expenses</i>	<hr/> <hr/> 886,486
<i>Change in Net Assets</i>	(51,820)
<i>Net Assets at Beginning of Year</i>	<hr/> 180,859
<i>Net Assets at the End of the Year</i>	<hr/> <hr/> \$ 129,039

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 834,635
Cash Paid for Goods and Services	(28,415)
Cash Paid for Claims	<u>(851,191)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(44,971)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(44,971)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>210,504</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 165,533</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (51,820)
Adjustments:	
(Increase) Decrease in Assets:	
Accounts Receivable	(31)
Increase (Decrease) in Liabilities:	
Claims Payable	<u>6,880</u>
<i>Total Adjustments</i>	<u>6,849</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ (44,971)</u></u>

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2010

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,335
<i>Total Assets</i>	<u><u>\$ 2,335</u></u>
 Liabilities	
Undistributed Monies	\$ 2,335
<i>Total Liabilities</i>	<u><u>\$ 2,335</u></u>

See accompanying notes to the basic financial statements.

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City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 1 – Description of the City and Reporting Entity

On January 1, 2005, the Village of New Franklin and New Franklin Township merged into one entity ("Village of New Franklin"). On March 6, 2006, the Village of New Franklin became the City of New Franklin (the "City") as a political body and corporation established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The City operates under a charter as a home-rule municipal corporation under the laws of the State of Ohio. The City provides police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, and general administrative services to the citizens of the City.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation.

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 the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

The City participates in one public entity risk pool and one jointly governed organization. These organizations are the Ohio Plan and the Regional Council of Governments. These are presented in Note 12 and 14 to the basic financial statements.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

Note 2 – Summary of Significant Accounting Policies

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

The more significant of the city's accounting policies are described below.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

City of New Franklin, Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Street Maintenance & Repair Fund – The Street Maintenance and Repair special revenue fund accounts for financial resources whose use is restricted to constructing, maintaining and repairing roads and bridges.

Police District Fund – The Police District special revenue fund accounts for financial resources whose use is restricted to police department expenditures. These resources are primarily generated through property tax.

Fire District Fund – The Fire District special revenue fund accounts for financial resources whose use is restricted to fire department expenditures. These resources are primarily generated through special levy tax money.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The following is the City's only proprietary fund type:

Internal Service Fund The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's only internal service fund accounts for a self-insurance program for employee medical, dental, prescription drug and life insurance benefits.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The City's agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The City's agency fund accounts for the operations of the Franklin Park Civic Center.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements

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

City of New Franklin, Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Agency funds do not report a measurement focus as they do not report operations.

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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal 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 5). 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), fines and forfeitures, interest, grants, fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue on modified accrual only. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

City of New Franklin, Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

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.

Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the alternative tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Alternative Tax Budget – During the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Fiscal Officer, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2010.

Appropriations – A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year, for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the object level. The appropriation ordinance may be amended during the year by action of Council, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and personal services within a fund may be modified during the year by an ordinance of council. During the year, several supplemental appropriation measures were passed, some of which were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications for the 12 month period.

Lapsing of Appropriations – At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not re-appropriated.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary and fiduciary funds are maintained in this pool. Individual fund integrity is maintained through the City's records.

During 2010, investments included a repurchase agreement.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2010 amounted to \$6,768, which includes \$2,860, assigned from other City funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

All reported capital assets are required to be depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land	N/A
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 16 Years
Infrastructure	20 Years

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Interfund Balances

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

The entire compensated absence liability is reported on the government-wide financial statements.

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 fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and 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. Capital leases are recognized as a liability on the fund financial statements when due.

Fund Balance Reserves

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include amounts to operate special programs including recreation, cemetery, drug prevention and other neighborhood programs.

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

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 include charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

Interfund Activity

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. Interfund transfers are eliminated when reported in the entity wide financial statements. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

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.

Changes in Accounting Principles

For the year ended December 31, 2010, the City has implemented GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*,” GASB Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*,” and GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*. ”

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the City.

Note 3 – Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the 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 Council has identified as not required for use within the current 5-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies may be invested in the following securities:

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

City of New Franklin, Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio)
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

Effective September 27, 1996, investments in stripped principal or interest obligations are no longer allowed to be purchased. Reverse repurchase agreements and derivatives are also prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits: The carrying value of the City's deposits totaled \$2,337,706 and the bank balances of the deposits totaled \$2,451,654. Of the bank balance \$1,201,654 was covered by depository insurance; and \$1,250,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Investments

Investments are reported at fair value. As of December 31, 2010, the City had the following investments:

Standard & Poor's	Investment	Fair Value	Investment Maturity		Total Investments
			Less than One Year		
N/A *	Repurchase Agreement	\$ 1,196,396	\$ 1,196,396		100.00%

*Underlying securities exempt.

Interest Rate Risk: Interest rate risk is the possibility that changes in interest rate will adversely affect the fair value of an investment. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The City's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the City.

Credit Risk: The City's investments credit ratings are summarized above.

Concentration of Credit Risk: The City places no limit on the amount the City may invest in any one issuer. The investment percentages are listed above.

Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the City's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related purchase agreement. The City's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Note 4 – 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 certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund and major Special Revenue Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

City of New Franklin, Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, Street Maintenance and Repair Fund, Police District Fund and Fire District Fund.

	Net Change in Fund Balance			
	General	Street Maintenance and Repair	Police District	Fire District
GAAP Basis (as reported)	\$ (542,670)	\$ (18,584)	\$ (129,083)	\$ (46,111)
Adjustments:				
Net adjustment for revenue accruals	(106,953)	28,210	23	(14,165)
Other financing sources	211,426	0	0	0
Net adjustment for expenditure accruals	(18,276)	20,305	134,431	44,270
Encumbrances	<u>(22,634)</u>	<u>(76,472)</u>	<u>0</u>	<u>(50,940)</u>
Budget basis	<u><u>\$ (479,107)</u></u>	<u><u>\$ (46,541)</u></u>	<u><u>\$ 5,371</u></u>	<u><u>\$ (66,946)</u></u>

Note 5 – Receivables

Receivables at December 31, 2010, consisted of taxes, interest, accounts, interfund and intergovernmental receivables.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

City of New Franklin, Summit County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2010*

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In 2007-2010, the City was fully reimbursed for the lost revenue. In 2011-2017, the reimbursements will be phased out.

The full tax rate for all City operations for the year ended December 31, 2010 was \$14.65 per \$1,000 of assessed value. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property - 2010 Valuation

Residential/agricultural	\$ 297,755,900	94.50%
Commercial/industrial	17,325,230	5.50%
	<u>\$ 315,081,130</u>	<u>100.00%</u>

Tangible Personal Property - 2009 Valuation

Public Utilities	<u>\$ 7,596,075</u>
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Real property taxes are payable annually or semiannually. If paid annually, the payment is due by December 31; if paid semiannually, 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.

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts in the county. The County Fiscal Officer periodically remits to the City its portion of the taxes. Property taxes receivable represent real, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2010. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2010 operations. The receivable is offset by deferred revenue.

Income Taxes

The City levies a municipal income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. Effective September 1, 2005, the income tax rate was 1%. The Regional Income Tax Agency (RITA) is the City's agent for administering income tax collecting and accounting.

Employers within the City are required to withhold income tax on work done or services performed in the City by both residents and non-residents of the City. All individuals who work or conduct business in the City and do not have income tax withheld must file estimated tax returns using the 1% rate for 2010 and remit the tax to the City either monthly or quarterly, as required. All businesses located in or doing business in the City must file a net profit estimate for 2010 using the 1% rate.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

All residents, 16 years of age and over, working outside the City are subject to the 1% tax less the credit allowed for taxes paid to another taxing community. Residents are given full credit for taxes paid to another community up to the 1%.

Income tax revenues are allocated based on City ordinance. The parks and recreation fund receives 5% of the collections and the balance goes to the general fund. In 2010, all costs of collecting the taxes and administering and enforcing the provisions were paid from the General Fund.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Local Government	\$ 309,463
Auto Registration	64,951
Permissive Tax	6,017
Gasoline Tax	288,141
Estate Tax	14,836
Homestead Rollback	237,075
Grants	<u>118,465</u>
Total	<u>\$ 1,038,948</u>

Taxes Receivable

A summary of taxes receivables follows:

	<u>Amount</u>
Governmental Activities:	
Real Estate and Personal Property Tax	\$ 2,905,459
Municipal Income Tax	<u>257,515</u>
Total	<u>\$ 3,162,974</u>

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 6 – Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 739,496	\$ 108,369	\$ 0	\$ 847,865
Total Capital Assets, not being depreciated	<u>739,496</u>	<u>108,369</u>	<u>0</u>	<u>847,865</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	1,109,869	71,426	0	1,181,295
Furniture and Equipment	1,340,103	32,682	0	1,372,785
Vehicles	2,701,248	208,119	0	2,909,367
Infrastructure	624,898	673,182	0	1,298,080
Total Capital Assets, being depreciated	<u>5,776,118</u>	<u>985,409</u>	<u>0</u>	<u>6,761,527</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(215,455)	(30,645)	0	(246,100)
Furniture and Equipment	(603,334)	(82,264)	0	(685,598)
Vehicles	(1,489,190)	(197,229)	0	(1,686,419)
Infrastructure	(37,561)	(21,040)	0	(58,601)
Total Accumulated Depreciation	<u>(2,345,540)</u>	<u>(331,178)</u>	<u>0</u>	<u>(2,676,718)</u>
Total Capital Assets being depreciated, net	<u>3,430,578</u>	<u>654,231</u>	<u>0</u>	<u>4,084,809</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,170,074</u>	<u>\$ 762,600</u>	<u>\$ 0</u>	<u>\$ 4,932,674</u>

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Depreciation expense was charged to programs as follows:

<i>Governmental Activities:</i>	
General Government	\$ 19,073
Transportation	108,081
Leisure Time	1,568
Security of Persons and Property	<u>202,456</u>
Total	<u><u>\$ 331,178</u></u>

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in State and local classifications contributed 10.0% of covered payroll and public safety and law enforcement members contributed 10.5% and 11.1%, respectively. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0%, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1%.

The City's contribution rate for 2010 was 14.0%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll. For 2010, a portion of the City's contribution of covered payroll was allocated to fund the post-employment health care plan. The portion of employer contributions allocated to health care for member in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for member in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

City of New Franklin, Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

The City's required contributions for pension obligations were made only to the traditional plan. The contributions for the years ended December 31, 2010, 2009, and 2008 were \$165,826, \$138,644, and \$117,369 respectively; 92% has been contributed for 2010 and 100% for 2009 and 2008. The unpaid balance has been recorded as a liability. There were no contributions made to the member-directed plan.

Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. For 2010 a portion of the City's contribution equal to 6.75% of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$19,632 and \$143,389 for the year ended December 31, 2010, \$15,779 and \$143,312 for the year ended December 31, 2009 and \$12,472 and \$137,775 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 70% has been contributed for 2010 with the balance recorded as a liability.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

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

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

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

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

City of New Franklin, Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.0% of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to health care for member in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for member in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$80,717, \$84,181, and \$101,797 respectively; 93% has been contributed for 2010 and 100% for 2009 and 2008. The unpaid balance has been recorded as a liability.

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

Ohio Police and Firemen's Disability and Pension Fund

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

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

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

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

Funding Policy - OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the years ended December 31, 2010 and 2009, the employer contribution allocated to the health care plan was 6.75% of covered

City of New Franklin, Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The number of participants eligible to receive health care benefits as of December 31, 2009 (the latest information available), are 14,797 for Police and 10,915 for Firefighters. The total health care expense for the year ending December 31, 2009 was \$168,744,032, which was net of member contributions of \$59,148,831.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$10,394 and \$56,109 for the year ended December 31, 2010, \$8,354 and \$56,079 for the year ended December 31, 2009, and \$6,603 and \$53,912 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 70% has been contributed for 2010 with the remaining balance recorded as a liability.

Note 9 – Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated contracts, City ordinances and State laws. Employees earn two to five weeks of vacation per year, depending upon length of service. Annual vacation eligibility is as of the date of hire and must be used in the year following the year earned.

Non-union and Road Union employees earn sick leave at the rate of 1-1/4 days (10 hours) for each calendar month of service. Police Union employees earn sick leave at the rate of 1-1/2 days (12 hours) for each calendar month of service. The Fire Union employees earn sick leave at the rate of 1-1/4 days (30 hours) for each calendar month of service. Currently, the maximum sick leave accumulation for firefighters is 4,134 hours. Upon retirement, a Police Union employee shall be entitled to be compensated with pay for up to 50% of their total accumulated sick leave not to exceed 200 days (1,600 hours). Upon resignation or retirement, a Road Union employee with at least 10 years of continuous full-time service with the City, shall be entitled to 70% of their total accumulated sick time not to exceed 960 hours. Upon resignation or retirement, a non-union employee with at least 10 years of continuous full-time service to the City, shall be entitled to 66% of their total accumulated sick time not to exceed 960 hours. Upon resignation or retirement, a Fire Union employee shall be entitled of a cash lump sum payment for accumulated sick time not to exceed 825 hours. An officer who is no longer employed by the City but does not retire shall be compensated at 20% of accumulated sick leave.

Employees may elect to receive compensatory time off in lieu of overtime. Currently, the maximum balance is 360 hours for firefighters and Road Union employees, 400 hours for patrolmen and 240 hours for non-union employees.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 10 – Long Term Obligations

Long term liability activity for the year ended December 31, 2010 was as follows:

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due Within One Year
<i>Long Term Obligations</i>					
Capital Leases	111,490	0	26,041	85,449	27,226
Compensated Absences	675,980	101,495	159,576	617,899	97,694
Total Long Term Obligations	<u>\$ 787,470</u>	<u>\$ 101,495</u>	<u>\$ 185,617</u>	<u>\$ 703,348</u>	<u>\$ 124,920</u>

The capital lease is paid from the Fire District Fund and compensated absences are paid from the General Fund, Street Maintenance and Repair Fund and the Fire District Fund.

Note 11 - Capitalized Leases

Capital lease obligations relate to equipment which is leased under a long-term agreement. These leases meet the criteria of a capital lease as defined under generally accepted accounting standards. Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the Fire District. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010.

Year	Amount
2011	\$ 31,114
2013	31,114
2013	<u>31,113</u>
Total Minimum Lease Payments	93,341
Less Amount Representing Interest	<u>7,892</u>
Present Value of Minimum Lease Payments	<u>\$ 85,449</u>

The assets being acquired have been capitalized in the governmental activities in the amount of \$147,604, which is the present value of the minimum lease payments at the inception of each lease.

Note 12 – Risk Management

Property, Casualty 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 2010, the City contracted with The Ohio Plan for various types of insurance. The coverage and deductible are as follows:

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Type of Coverage	Deductible	Coverage
General Liability	\$ 2,500	\$ 3,000,000
Employers Liability	2,500	3,000,000
Employee Benefits	2,500	1,000,000
Law Enforcement Officers Liability	2,500	3,000,000
Public Officials Liability	2,500	3,000,000
Automobile	0	3,000,000
Property	1,000	3,373,200
Special Property Coverage	1,000	1,328,777
Electronic Equipment/Media Coverage	1,000	104,312
Public Employee Dishonesty	1,000	100,000
Boiler and Machinery	1,000	3,373,200
Emergency Medical Services Liability	2,500	3,000,000
Municipal Attorney and Law Director	2,500	1,000,000

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded commercial coverage in any of the past three years.

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

Medical

The City is self-insured for its medical insurance, dental insurance, prescription drug program, and life insurance. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During the period ending December 31, 2010, a total expense of \$886,486 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$30,000. The liability for unpaid claims cost of \$37,098 reported in the fund at December 31, 2010 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as charges for services to other funds.

Changes in the fund's claims liability amount in 2010 and 2009 was:

	Beginning Balance		Claims	Claim Payments	Ending Balance
2010	\$ 30,218		858,071	851,191	\$ 37,098
2009	43,350		796,635	809,767	30,218

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 13 – Contingencies

The City is a defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position, and would be covered by liability insurance maintained by the City.

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 experience, management believes such refunds, if any, would not be material.

Note 14 - Jointly Governed Organization

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) under the authority of Chapter 167 of the Ohio Revised Code to administer tax collection and enforcement concerns facing the cities and villages. The purpose of the RCOG is to foster cooperation between the municipalities through sharing of facilities for their common benefit. This includes the establishment of a central collection facility for the purpose of administering the income tax laws of the various municipal corporations who are members of the RCOG and for the purpose of collecting income taxes on behalf of each member municipality, doing all things allowed by law to accomplish such purpose.

The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for over 160 municipalities throughout the State of Ohio. Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA. The Council did not receive any funding from the City during the current year.

Note 15 – Fund Deficits

Fund balances at December 31, 2010 included the following individual fund deficits:

	Deficit Fund Balance
Police District Fund	\$ 64,002
Nonmajor Governmental Funds:	
Assistance to Firefighters Fund	6,522
ODNR - Sisler Park Fund	2,087
Dispatch Fund	8,721

The deficit in these governmental funds resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in this fund and will provide transfers when cash is required, not when accruals occur.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

Note 16 – Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

Interfund obligations for the year ended December 31, 2010, consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 125,678	\$ 0
Other Governmental Funds	<u>0</u>	<u>125,678</u>
Total	<u>\$ 125,678</u>	<u>\$ 125,678</u>

As of December 31, 2010, the Assistance to Firefighters Fund and the ODNR - Sisler Park Fund reported unencumbered negative cash balances of \$123,591 and \$2,087, respectively. As a result, interfund loans were made by the General Fund to eliminate the negative balances. All interfund loans will be repaid in 2011 with monies to be received from reimbursable expenditures incurred during 2010.

Interfund Transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During 2010, the General Fund transferred \$50,000 to the Parks and Recreation Fund.

Note 17 – Compliance

Contrary to Ohio Revised Code Section 5705.10, the City reported negative cash fund balances in the Assistance to Firefighters Fund of \$124,983 and in the ODNR - Sisler Park Fund of \$2,087.

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

City of New Franklin
Summit County
5611 Manchester Road
Akron, Ohio 44319

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of New Franklin, Summit County, Ohio, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *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 more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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

City of New Franklin
Summit County
Independent Accountants' Report on Internal Control Over
Financial Reporting and Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 7, 2011.

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

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



Dave Yost
Auditor of State

September 7, 2011

CITY OF NEW FRANKLIN
SUMMIT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010

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

FINDING NUMBER 2010-001

Noncompliance

Ohio Rev. Code Section 5705.10(H) states that money that is paid into a fund must be used only for the purposes for which such fund has been established. At year-end the City's Statement of Cash Position reflected negative fund balances in the Assistance to Firefighters Fund of \$124,983 and in the ODNR - Sisler Park Fund of \$2,087. These negative fund balances indicate that money from one fund was used to cover the expenses of another fund and increases the possibility that a lack of monitoring controls exists.

The City should monitor fund activity to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code. This will help ensure that money is only used for the purposes for which each fund was established.

Official's Response: Advances will be made to funds when anticipated revenues do not come in on a timely basis.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness – Capital Assets: The City did not capitalize the Asphalt Resurfacing Project in the amount of \$540,691; Regarding disposals, the “Book Current Year Disposals” Report did not always include the proper method of disposal; The City’s Fixed Asset Policy is silent regarding whether assets purchased in aggregate which exceed the threshold, but individually do not, should be capitalized, or what useful lives are. Also, the policy is silent regarding the capitalization of infrastructure assets; The capital asset master listing along with the asset themselves did not always include identifying information such as tag number, serial number or VIN number for assets; Several depreciable capital assets were fully depreciated and still in use.	No	Partially corrected. See Management Letter



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CITY OF NEW FRANKLIN

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 22, 2011**