



Dave Yost • Auditor of State

**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)	
General Fund.....	24
Street Maintenance and Repair Fund	25
Police District Fund	26
Fire District Fund	27
Statement of Fund Net Position	
Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds	29
Statement of Cash Flows	
Proprietary Funds	30
Statement of Fiduciary Net Position.....	31
Notes to the Basic Financial Statements	33
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Schedule of Findings.....	61



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The City has outsourced insurance-claim processing to a third party administrator. The financial statements report insurance claims expenses and claims payable in the Self-Insurance Fund (an internal service fund, included in the governmental activities and in remaining fund information). The third-party administrator did not provide us with information we requested regarding the design or proper operation of its internal controls. We were therefore unable to obtain sufficient appropriate audit evidence about the proper processing of health insurance claims expenses and liabilities. Those claims represent 15% of expenses and 4% of accrued liabilities reported within governmental activities, and 71% of the expenses and 46% of the liabilities reported within remaining fund information. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the City of New Franklin, Summit County, Ohio, as of December 31, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Street Maintenance and Repair, Police District, and Fire District funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

October 15, 2015

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**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

The management's 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, 2014. 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 2014 are as follows:

- The total net position of the City decreased \$60,732 or 0.53% from the 2013 net position.
- General revenues accounted for \$5,240,995 or 76.82% of total governmental activities revenue. Program specific revenues accounted for \$1,581,108 or 23.18% of total governmental activities revenue.
- The City had \$6,882,835 in expenses related to governmental activities; \$1,581,108 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,240,995.
- The general fund had revenues of \$2,327,579 in 2014. The expenditures and other financing uses of the general fund totaled \$2,471,105 in 2014. The net decrease in fund balance for the general fund was \$143,526 or 21.79%.
- The street maintenance and repair fund had revenues of \$859,745 in 2014. The expenditures of the street maintenance and repair fund totaled \$1,298,146 in 2014. The net decrease in fund balance for the street maintenance and repair fund was \$438,401 or 32.24%.
- The police district fund had revenues and other financing sources of \$1,616,791 in 2014. The expenditures of the police district fund totaled \$1,638,521 in 2014. The net decrease in fund balance for the police district fund was \$21,730 or 182.25%.
- The fire district fund had revenues of \$2,020,750 in 2014. The expenditures of the fire district fund totaled \$2,024,291 in 2014. The net decrease in fund balance for the fire district fund was \$3,541 or 2.93%.
- In the general fund, the actual revenues and other financing sources of \$2,234,587 were higher than the final budget of \$2,171,990. Actual expenditures and other financing uses of \$2,359,400 were less than the amount in the final budget of \$2,418,126. Budgeted revenues and other financing sources increased \$264,604 from the original to the final budget while budgeted expenditures and other financing uses increased \$130,100.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the City's programs and services, including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and municipal income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental funds, the general fund, street maintenance and repair fund, police district fund and fire district fund begins on page 9.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street maintenance and repair fund, police district fund and fire district fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 15 through 25 of this report.

Proprietary Funds

The City maintains one proprietary fund, an internal service fund. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund accounts for health self-insurance activities. The basic proprietary fund financial statement can be found on page 26.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. An agency fund is the City's only fiduciary fund. The basic fiduciary fund financial statement can be found on page 29.

Notes to the Basic 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. These notes to the basic financial statements can be found on pages 30-55 of this report.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides the City's net position at December 31, 2014 and December 31, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Assets</u>		
Current and other assets	\$ 7,040,797	\$ 7,395,230
Capital assets	8,386,545	8,071,665
Total assets	<u>15,427,342</u>	<u>15,466,895</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	649,190	613,973
Other liabilities	475,272	569,399
Total liabilities	<u>1,124,462</u>	<u>1,183,372</u>
<u>Deferred Inflows</u>	<u>2,978,791</u>	<u>2,898,702</u>
<u>Net Position</u>		
Net investment in capital assets	8,386,545	7,840,906
Restricted	1,670,513	2,289,549
Unrestricted	1,267,031	1,254,366
Total net position	<u>\$ 11,324,089</u>	<u>\$ 11,384,821</u>

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets exceeded liabilities and deferred inflows of resources by \$11,324,089.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 54.36% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment, vehicles and infrastructure. The net investment in capital assets at December 31, 2014, was \$8,386,545 in the governmental activities. These capital assets are used to provide services to citizens and are not available for future spending.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$1,670,513, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,267,031 may be used to meet the City's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 728,685	\$ 577,617
Operating grants and contributions	838,483	907,664
Capital grants and contributions	13,940	1,855,515
Total program revenues	<u>1,581,108</u>	<u>3,340,796</u>
General revenues:		
Municipal income taxes	1,078,048	1,161,849
Property taxes	3,008,430	2,898,793
Unrestricted grants and entitlements	1,130,652	996,734
Investment earnings	262	242
Miscellaneous	23,603	65,258
Total general revenues	<u>5,240,995</u>	<u>5,122,876</u>
Total revenues	<u>6,822,103</u>	<u>8,463,672</u>

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Change in Net Position

	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
Expenses		
General government	\$ 902,055	\$ 961,050
Security of persons and property	4,153,641	4,090,575
Public health	126,483	126,441
Leisure time services	2,217	81,592
Community development	178,022	146,980
Transportation	1,520,417	1,293,506
Interest and fiscal charges	-	1,356
	<u>6,882,835</u>	<u>6,701,500</u>
Total expenses		
Change in net position	<u>(60,732)</u>	<u>1,762,172</u>
Net position at beginning of year	<u>11,384,821</u>	<u>9,622,649</u>
Net position at end of year	<u>\$ 11,324,089</u>	<u>\$ 11,384,821</u>

Governmental Activities

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$4,153,641 of the total expenses of the City. These expenses were partially funded by \$574,893 in direct charges to users of the services and \$129,424 in operating grants and contributions. Transportation expenses totaled \$1,520,417. Transportation expenses were primarily funded by \$10,020 in direct charges to users of the services, \$635,486 in operating grants and contributions and \$13,940 in capital grants in contributions.

During 2014, the state and federal government contributed to the City a total of \$838,483 in operating grants and contributions and \$13,940 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$635,486 subsidized transportation programs and \$129,424 subsidized security of persons and property programs. Of the total capital grants and contributions, \$13,940 subsidized transportation programs.

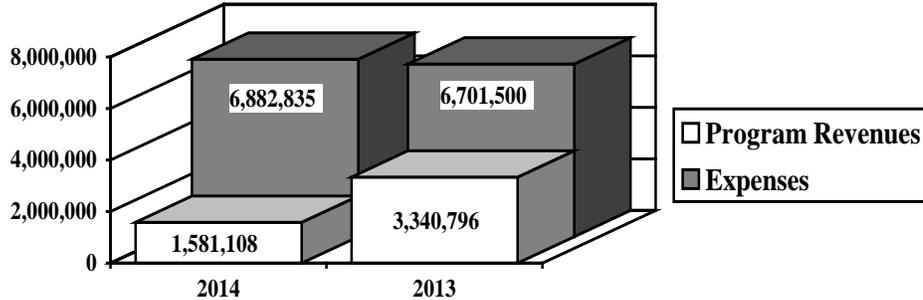
General revenues totaled \$5,240,995, and amounted to 76.82% of total governmental revenues in 2014. These revenues primarily consist of property and municipal income tax revenue of \$4,086,478. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$1,130,652.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and municipal income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Governmental Activities - Program Revenues vs. Total Expenses

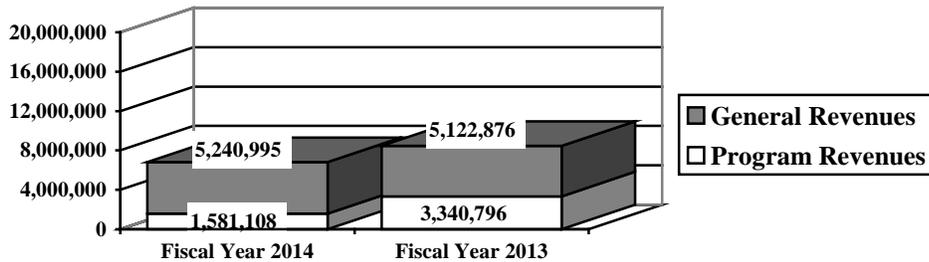


Governmental Activities

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 902,055	\$ 747,717	\$ 961,050	\$ 851,935
Security of persons and property	4,153,641	3,449,324	4,090,575	3,598,186
Public health	126,483	126,483	126,441	114,352
Leisure time services	2,217	(30,790)	81,592	30,588
Community development	178,022	148,022	146,980	141,108
Transportation	1,520,417	860,971	1,293,506	(1,376,821)
Interest and fiscal charges	-	-	1,356	1,356
Total	\$ 6,882,835	\$ 5,301,727	\$ 6,701,500	\$ 3,360,704

The dependence upon general revenues for governmental activities is apparent, with 77.03% of expenses supported through taxes and other general revenues for 2014.

Governmental Activities - General and Program Revenues



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on pages 15-16) reported a combined fund balance of \$2,300,814 which is \$479,860 less than last year's total of \$2,780,674. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2014 and December 31, 2013 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) 12/31/14	Fund Balances 12/31/13	Increase / Decrease
Major funds:			
General	\$ 515,117	\$ 658,643	\$ (143,526)
Street maintenance and repair	921,277	1,359,678	(438,401)
Police district	(9,807)	11,923	(21,730)
Fire district	117,221	120,762	(3,541)
Other nonmajor governmental funds	757,006	629,668	127,338
Total	<u>\$ 2,300,814</u>	<u>\$ 2,780,674</u>	<u>\$ (479,860)</u>

General Fund

The City's general fund balance decreased \$143,526. The table that follows assists in illustrating the revenues of the general fund. Intergovernmental revenue continued to decrease primarily due to a decline in local government funding. All other revenues remained comparable to the prior year.

	2014 Amount	2013 Amount	Amount Increase (Decrease)	Percentage Increase (Decrease)
Revenues				
Taxes	\$ 1,237,430	\$ 1,245,861	\$ (8,431)	(0.68) %
Charges for services	243,588	246,695	(3,107)	(1.26) %
Licenses and permits	102,790	101,882	908	0.89 %
Intergovernmental	688,399	2,150,785	(1,462,386)	(67.99) %
Interest	262	242	20	8.26 %
Rental income	31,507	43,466	(11,959)	(27.51) %
Other	23,603	18,507	5,096	27.54 %
Total	<u>\$ 2,327,579</u>	<u>\$ 3,807,438</u>	<u>\$ (1,479,859)</u>	<u>(38.87) %</u>

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

The table that follows assists in illustrating the expenditures of the general fund.

<u>Expenditures</u>	<u>2014 Amount</u>	<u>2013 Amount</u>	<u>Amount Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>
General government	\$ 957,046	\$ 959,110	\$ (2,064)	(0.22) %
Security of persons and property	372,032	470,931	(98,899)	(21.00) %
Public health	112,795	112,125	670	0.60 %
Leisure time services	51,424	62,394	(10,970)	(17.58) %
Community development	145,591	129,727	15,864	12.23 %
Transportation	48,720	320,387	(271,667)	(84.79) %
Capital outlay	133,497	1,589,409	(1,455,912)	(91.60) %
Total	\$ 1,821,105	\$ 3,644,083	\$ (1,822,978)	(50.03) %

The most significant decrease was in the area of capital outlay and can be attributed primarily to a decrease in expenses related to various asset acquisitions. The decrease in transportation expenses can be attributed to a decrease in expenses related to street projects. The decrease in security of persons and property expenditures can be attributed to a decrease in dispatch expenses. All other current year expenses were comparable to the prior year.

Street Maintenance and Repair Fund

The City's street maintenance and repair fund had revenues of \$859,745 in 2014. The expenditures of the street maintenance and repair fund totaled \$1,298,146 in 2014. The net decrease in fund balance for the street maintenance and repair fund was \$438,401 or 32.24%. This decrease is due to a decrease in intergovernmental revenues and an increase in transportation expenses.

Police District Fund

The police district fund had revenues and other financing sources of \$1,616,791 in 2014. The expenditures of the police district fund totaled \$1,638,521 in 2014. The net decrease in fund balance for the police district fund was \$21,730 or 182.25%. The slight decrease in fund balance is due to the increase in the associated security of persons and property expenses.

Fire District Fund

The fire district fund had revenues of \$2,020,750 in 2014. The expenditures of the fire district fund totaled \$2,024,291 in 2014. The net decrease in fund balance for the fire district fund was \$3,541 or 2.93%. The slight decrease in fund balance is due to the increase in the associated security of persons and property expenses.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Budgetary information is presented for the general fund. The actual revenues and other financing sources of \$2,234,587 were higher than the final budget of \$2,171,990. Actual expenditures and other financing uses of \$2,359,400 were less than the amount in the final budget of \$2,418,126. Budgeted revenues and other financing sources increased \$264,604 from the original to the final budget while budgeted expenditures and other financing uses increased \$130,100.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014, the City had \$8,386,545 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, furniture and equipment, vehicles and infrastructure, which is an increase of \$314,880 from prior year.

The following table shows fiscal 2014 balances compared to 2013:

**Capital Assets at December 31
(Net of Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 1,440,884	\$ 1,408,110
Construction in progress	283,036	445,703
Buildings and improvements	1,055,566	1,029,170
Furniture and equipment	630,360	672,452
Vehicles	771,901	875,168
Infrastructure	4,204,798	3,641,062
Totals	\$ 8,386,545	\$ 8,071,665

The City's largest capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 50.14% of the City's total governmental capital assets. See Note 9 to the basic financial statements for detail on capital assets.

Debt Administration

At December 31, 2014, the City had no outstanding long term debt obligations, other than compensated absences. See Note 12 to the basic financial statements for detail on long-term obligations.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information, contact Susan M. Cooke, Finance Director at 5611 Manchester Road, Akron, Ohio 44319.

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**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 2,401,439
Receivables:	
Accounts	334,894
Due from other governments.	771,875
Income taxes.	362,876
Property taxes	3,130,658
Accrued interest	6
Materials and supplies inventory.	25,661
Prepayments	13,388
Capital assets:	
Land and construction in progress.	1,723,920
Depreciable capital assets, net.	6,662,625
Total capital assets, net.	8,386,545
 Total assets	 15,427,342
Liabilities:	
Accounts payable.	192,991
Accrued wages and benefits payable	90,375
Due to other governments	145,982
Claims payable	45,924
Long-term liabilities:	
Due within one year	63,825
Due in more than one year.	585,365
Total liabilities	1,124,462
 Total liabilities	 1,124,462
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,978,791
Net position:	
Net investment in capital assets.	8,386,545
Restricted for:	
Debt service	2,183
Police and fire operations	81,337
Street construction and maintenance.	1,448,425
Other purposes.	138,568
Unrestricted.	1,267,031
 Total net position	 \$ 11,324,089

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
General government	\$ 902,055	\$ 112,265	\$ 42,073	\$ -	\$ (747,717)
Security of persons and property	4,153,641	574,893	129,424	-	(3,449,324)
Public health	126,483	-	-	-	(126,483)
Leisure time services	2,217	31,507	1,500	-	30,790
Community development	178,022	-	30,000	-	(148,022)
Transportation	1,520,417	10,020	635,486	13,940	(860,971)
Total governmental activities	<u>\$ 6,882,835</u>	<u>\$ 728,685</u>	<u>\$ 838,483</u>	<u>\$ 13,940</u>	<u>(5,301,727)</u>
		General revenues:			
		Property taxes levied for:			
					149,991
					371,442
					2,486,997
		Income taxes levied for:			
					1,023,211
					54,837
		Grants and entitlements not restricted to specific programs			1,130,652
					262
					23,603
		Total general revenues			5,240,995
					(60,732)
		Net position at beginning of year			11,384,821
		Net position at end of year			\$ 11,324,089

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>Street Maintenance and Repair Fund</u>	<u>Police District</u>	<u>Fire District</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 237,675	\$ 986,020	\$ 57,341	\$ 204,470
Receivables:				
Accounts	253,477	-	3,562	-
Due from other governments	170,367	344,131	58,051	143,824
Income taxes	344,732	-	-	-
Property taxes	153,716	377,300	790,406	1,809,236
Interfund loans	18,680	-	-	-
Accrued interest	-	-	-	-
Materials and supplies inventory	-	25,661	-	-
Prepayments	4,114	2,202	2,440	4,632
Total assets	<u>\$ 1,182,761</u>	<u>\$ 1,735,314</u>	<u>\$ 911,800</u>	<u>\$ 2,162,162</u>
Liabilities:				
Accounts payable	\$ 20,453	\$ 130,353	\$ 4,471	\$ 3,439
Accrued wages and benefits payable	17,899	9,678	27,902	34,896
Due to other governments	36,353	13,656	41,984	53,989
Interfund loans payable	-	-	-	-
Total liabilities	<u>74,705</u>	<u>153,687</u>	<u>74,357</u>	<u>92,324</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year . . .	145,930	358,191	754,867	1,719,803
Delinquent property tax revenue not available . .	7,786	19,109	35,539	89,433
Miscellaneous revenue not available	124,777	-	-	-
Income tax revenue not available	205,803	-	-	-
Nonexchange transactions	108,643	283,050	56,844	143,381
Total deferred inflows of resources	<u>592,939</u>	<u>660,350</u>	<u>847,250</u>	<u>1,952,617</u>
Total liabilities and deferred inflows of resources.	<u>667,644</u>	<u>814,037</u>	<u>921,607</u>	<u>2,044,941</u>
Fund balances:				
Nonspendable	4,114	27,863	2,440	4,632
Restricted	-	893,414	-	112,589
Committed	29,374	-	-	-
Assigned	140,694	-	-	-
Unassigned (deficit)	340,935	-	(12,247)	-
Total fund balances (deficit)	<u>515,117</u>	<u>921,277</u>	<u>(9,807)</u>	<u>117,221</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,182,761</u>	<u>\$ 1,735,314</u>	<u>\$ 911,800</u>	<u>\$ 2,162,162</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 774,451	\$ 2,259,957
52,068	309,107
55,502	771,875
18,144	362,876
-	3,130,658
-	18,680
6	6
-	25,661
-	13,388
<u>\$ 900,171</u>	<u>\$ 6,892,208</u>
\$ 34,275	\$ 192,991
-	90,375
-	145,982
18,680	18,680
<u>52,955</u>	<u>448,028</u>
-	2,978,791
-	151,867
41,592	166,369
9,438	215,241
39,180	631,098
<u>90,210</u>	<u>4,143,366</u>
<u>143,165</u>	<u>4,591,394</u>
-	39,049
519,068	1,525,071
256,618	285,992
-	140,694
(18,680)	310,008
<u>757,006</u>	<u>2,300,814</u>
<u>\$ 900,171</u>	<u>\$ 6,892,208</u>

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total governmental fund balances	\$	2,300,814
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,386,545
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 215,241	
Property taxes receivable	151,867	
Accounts receivable	271,421	
Intergovernmental receivable	526,046	
Total	1,164,575	1,164,575
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 on the statement of net position.		121,345
Long-term liabilities, compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.		(649,190)
		11,324,089
Net position of governmental activities	\$	11,324,089

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Street Maintenance and Repair Fund</u>	<u>Police District</u>	<u>Fire District</u>
Revenues:				
Property taxes	\$ 147,172	\$ 364,525	\$ 733,893	\$ 1,708,001
Income taxes	1,090,258	-	-	-
Charges for services.	243,588	-	72,744	1,090
Licenses and permits	102,790	-	-	-
Fines and forfeitures	-	-	3,266	-
Intergovernmental.	688,399	479,131	126,559	279,124
Interest.	262	175	437	583
Rental income	31,507	-	-	-
Contributions and donations.	502	-	8	220
Other	23,101	15,914	29,884	31,732
Total revenues	<u>2,327,579</u>	<u>859,745</u>	<u>966,791</u>	<u>2,020,750</u>
Expenditures:				
Current:				
General government	957,046	-	-	-
Security of persons and property	372,032	-	1,608,721	1,972,313
Public health.	112,795	-	-	-
Leisure time services	51,424	-	-	-
Community development	145,591	-	-	-
Transportation	48,720	1,189,422	-	-
Capital outlay	133,497	108,724	29,800	51,978
Total expenditures	<u>1,821,105</u>	<u>1,298,146</u>	<u>1,638,521</u>	<u>2,024,291</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>506,474</u>	<u>(438,401)</u>	<u>(671,730)</u>	<u>(3,541)</u>
Other financing sources (uses):				
Transfers in	-	-	650,000	-
Transfers (out).	<u>(650,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(650,000)</u>	<u>-</u>	<u>650,000</u>	<u>-</u>
Net change in fund balances	(143,526)	(438,401)	(21,730)	(3,541)
Fund balances at beginning of year	<u>658,643</u>	<u>1,359,678</u>	<u>11,923</u>	<u>120,762</u>
Fund balances (deficit) at end of year	<u>\$ 515,117</u>	<u>\$ 921,277</u>	<u>\$ (9,807)</u>	<u>\$ 117,221</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,953,591
57,538	1,147,796
106,020	423,442
-	102,790
1,311	4,577
352,584	1,925,797
27	1,484
-	31,507
1,400	2,130
660	101,291
<u>519,540</u>	<u>6,694,405</u>
-	957,046
14,635	3,967,701
13,688	126,483
11,692	63,116
30,000	175,591
188,874	1,427,016
133,313	457,312
<u>392,202</u>	<u>7,174,265</u>
<u>127,338</u>	<u>(479,860)</u>
-	650,000
<u>-</u>	<u>(650,000)</u>
<u>-</u>	<u>-</u>
127,338	(479,860)
629,668	2,780,674
<u>\$ 757,006</u>	<u>\$ 2,300,814</u>

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	(479,860)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 860,207	
Current year depreciation	(528,848)	
Total		331,359
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(16,479)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(69,748)	
Property taxes	54,839	
Charges for service	271,421	
Intergovernmental revenues	(128,814)	
Total		127,698
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(35,217)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		
		11,767
Change in net position of governmental activities	\$	(60,732)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
Property taxes	\$ 125,622	\$ 143,048	\$ 147,172	\$ 4,124
Income taxes	930,106	1,059,136	1,089,660	30,524
Charges for services.	206,162	234,762	241,528	6,766
Licenses and permits	88,192	100,427	103,321	2,894
Intergovernmental.	528,470	601,783	619,126	17,343
Interest.	224	255	262	7
Contributions and donations.	215	245	252	7
Other	19,723	22,459	23,106	647
Total revenues	<u>1,898,714</u>	<u>2,162,115</u>	<u>2,224,427</u>	<u>62,312</u>
Expenditures:				
Current:				
General government	884,524	981,124	955,703	25,421
Security of persons and property	26,000	26,000	13,183	12,817
Public health.	113,097	113,097	112,795	302
Community development	151,030	154,130	152,376	1,754
Transportation	102,375	102,375	80,597	21,778
Capital outlay	51,000	81,400	66,066	15,334
Total expenditures	<u>1,328,026</u>	<u>1,458,126</u>	<u>1,380,720</u>	<u>77,406</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>570,688</u>	<u>703,989</u>	<u>843,707</u>	<u>139,718</u>
Other financing sources (uses):				
Advances in and not repaid	8,672	9,875	10,160	285
Advances (out) and not repaid	-	-	(18,680)	(18,680)
Transfers (out).	(960,000)	(960,000)	(960,000)	-
Total other financing sources (uses)	<u>(951,328)</u>	<u>(950,125)</u>	<u>(968,520)</u>	<u>(18,395)</u>
Net change in fund balances	(380,640)	(246,136)	(124,813)	121,323
Fund balances at beginning of year	262,908	262,908	262,908	-
Prior year encumbrances appropriated	27,375	27,375	27,375	-
Fund balance (deficit) at end of year.	<u>\$ (90,357)</u>	<u>\$ 44,147</u>	<u>\$ 165,470</u>	<u>\$ 121,323</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
Property taxes	\$ 425,672	\$ 425,672	\$ 364,525	\$ (61,147)
Intergovernmental.	607,091	607,091	519,885	(87,206)
Interest	204	204	175	(29)
Other	18,583	18,583	15,914	(2,669)
Total revenues	<u>1,051,550</u>	<u>1,051,550</u>	<u>900,499</u>	<u>(151,051)</u>
Expenditures:				
Current:				
Transportation	1,769,948	1,769,948	1,216,588	553,360
Capital outlay	250,000	250,000	108,724	141,276
Total expenditures	<u>2,019,948</u>	<u>2,019,948</u>	<u>1,325,312</u>	<u>694,636</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(968,398)</u>	<u>(968,398)</u>	<u>(424,813)</u>	<u>543,585</u>
Other financing sources (uses):				
Transfers in	50,000	50,000	-	(50,000)
Transfers (out).	(50,000)	(50,000)	-	50,000
Total other financing sources (uses).	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(968,398)	(968,398)	(424,813)	543,585
Fund balances at beginning of year	1,233,692	1,233,692	1,233,692	-
Prior year encumbrances appropriated . . .	41,648	41,648	41,648	-
Fund balance at end of year	<u>\$ 306,942</u>	<u>\$ 306,942</u>	<u>\$ 850,527</u>	<u>\$ 543,585</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 719,284	\$ 719,284	\$ 733,893	\$ 14,609
Charges for services.	71,296	71,296	72,744	1,448
Fines and forfeitures	3,078	3,078	3,141	63
Intergovernmental.	124,750	124,750	127,284	2,534
Interest	428	428	437	9
Contributions and donations	8	8	8	-
Other	26,421	26,421	26,958	537
Total revenues	<u>945,265</u>	<u>945,265</u>	<u>964,465</u>	<u>19,200</u>
Expenditures:				
Current:				
Security of persons and property	1,690,739	1,690,739	1,597,527	93,212
Capital outlay	50,000	50,000	29,800	20,200
Total expenditures	<u>1,740,739</u>	<u>1,740,739</u>	<u>1,627,327</u>	<u>113,412</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(795,474)</u>	<u>(795,474)</u>	<u>(662,862)</u>	<u>132,612</u>
Other financing sources:				
Transfers in	750,000	750,000	650,000	(100,000)
Total other financing sources	<u>750,000</u>	<u>750,000</u>	<u>650,000</u>	<u>(100,000)</u>
Net change in fund balances	(45,474)	(45,474)	(12,862)	32,612
Fund balances at beginning of year	68,504	68,504	68,504	-
Prior year encumbrances appropriated	1,699	1,699	1,699	-
Fund balance at end of year	<u>\$ 24,729</u>	<u>\$ 24,729</u>	<u>\$ 57,341</u>	<u>\$ 32,612</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,707,717	\$ 1,707,717	\$ 1,708,001	\$ 284
Charges for services.	959	959	959	-
Intergovernmental.	279,078	279,078	279,124	46
Interest	583	583	583	-
Contributions and donations.	220	220	220	-
Other	33,077	33,077	33,082	5
Total revenues	<u>2,021,634</u>	<u>2,021,634</u>	<u>2,021,969</u>	<u>335</u>
Expenditures:				
Current:				
Security of persons and property	2,170,000	2,170,000	1,971,749	198,251
Capital outlay	57,000	57,000	51,978	5,022
Total expenditures	<u>2,227,000</u>	<u>2,227,000</u>	<u>2,023,727</u>	<u>203,273</u>
Net change in fund balances	(205,366)	(205,366)	(1,758)	203,608
Fund balances at beginning of year	<u>206,228</u>	<u>206,228</u>	<u>206,228</u>	<u>-</u>
Fund balance at end of year	<u>\$ 862</u>	<u>\$ 862</u>	<u>\$ 204,470</u>	<u>\$ 203,608</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

		Governmental Activities - Internal Service Funds
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents . . .	\$	141,482
Accounts receivable		<u>25,787</u>
Total assets		<u>167,269</u>
Liabilities:		
Claims payable		<u>45,924</u>
Total liabilities		<u>45,924</u>
Net position:		
Unrestricted		<u>121,345</u>
Total net position.	\$	<u><u>121,345</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 1,044,440
Operating expenses:	
Contractual services	18,780
Claims expense	1,013,893
Total operating expenses.	1,032,673
Change in net position.	11,767
Net position at beginning of year	109,578
Net position at end of year	\$ 121,345

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from customers.	\$ 1,026,905
Cash payments to suppliers for goods and services . . .	(18,780)
Cash payments for claims	<u>(1,045,928)</u>
Net cash used in operating activities.	<u>(37,803)</u>
Net decrease in cash and cash equivalents.	(37,803)
Cash and cash equivalents at beginning of year	179,285
Cash and cash equivalents at end of year	<u><u>\$ 141,482</u></u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income.	\$ 11,767
Changes in assets and liabilities:	
Increase in accounts receivable	(17,535)
Decrease in claims payable	<u>(32,035)</u>
Net cash used in operating activities.	<u><u>\$ (37,803)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2014

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 33,316
Receivables:	
Accounts	<u>36,000</u>
Total assets	<u>\$ 69,316</u>
Liabilities:	
Deposits held and due to others.	<u>\$ 69,316</u>
Total liabilities	<u>\$ 69,316</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF THE CITY

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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 principles. The most significant of the City's accounting policies are described below.

A. 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, firefighting 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 Public Entities Pool of Ohio (PEP) and the Regional Council of Governments. These are presented in Note 13 and 15 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.

B. Basis of Presentation - Fund Accounting

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

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net position 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.

C. 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 two categories of funds: governmental and proprietary.

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

General fund - The general fund accounts for 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.

Street maintenance and 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.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 two special tax levies and general fund transfers.

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 two special tax levies.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund which is used to account for insurance and fire loss.

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net position.

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

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

E. 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 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 inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows on the governmental fund financial statements.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

F. 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.

G. 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.

H. 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 2014.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. 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.

J. 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.

K. Cash and Cash Equivalents

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

During 2014, 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 2014 amounted to \$262, which includes \$81, assigned from other City funds.

For purposes of the statement of cash flows and for presentation on the statement of net position/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.

L. Capital Assets

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

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 five 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 and construction in progress. 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 and Construction in Progress	N/A
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 16 Years
Infrastructure	20 Years

M. 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 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.

N. 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.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include parks and recreation, and law enforcement and fire department operations.

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

Q. 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 non-operating.

R. 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.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

T. Estimates

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

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the City.

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
EPA stormwater fund	\$ 18,680
Police district fund	9,807

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits are provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Treasurer 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.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had \$75 in undeposited cash on hand which is included on the financial statements of the City as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits was \$893,138. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2014, \$704,402 of the City’s bank balance of \$994,638 was exposed to custodial risk as discussed below, while \$290,236 was covered by the FDIC.

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

C. Investments

As of December 31, 2014, the City had the following investments and maturities:

Standard & Poor's	Investment	Fair Value	Investment Maturity Less than One Year	% Total Investments
N/A *	Repurchase Agreement	\$ 1,541,542	\$ 1,541,542	100.00%

* Underlying securities are exempt

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	<u>\$ 1,541,542</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 893,138
Investments	1,541,542
Cash on hand	<u>75</u>
Total	<u>\$ 2,434,755</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,401,439
Agency fund	<u>33,316</u>
Total	<u>\$ 2,434,755</u>

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for 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:

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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 assigned, committed or restricted fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

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.

	<u>Net Change in Fund Balance</u>			
	<u>General Fund</u>	Street Maintenance and <u>Repair Fund</u>	Police <u>District</u>	Fire <u>District</u>
Budget basis	\$ (124,813)	\$ (424,813)	\$ (12,862)	\$ (1,758)
Net adjustment for revenue accruals	63,078	(40,754)	2,326	(1,219)
Net adjustment for expenditure accruals	(28,521)	(108,327)	(11,194)	(564)
Net adjustment for other sources/uses	8,520	-	-	-
Funds budgeted elsewhere	(105,359)	-	-	-
Adjustment for encumbrances	43,569	135,493	-	-
GAAP basis	<u>\$ (143,526)</u>	<u>\$ (438,401)</u>	<u>\$ (21,730)</u>	<u>\$ (3,541)</u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2014, consisted of taxes, accounts (billings for user charged services), accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2014.

A summary of the items of receivables reported on the statement of net position follows:

Governmental activities:

Accounts	\$ 334,894
Due from other governments	771,875
Income taxes	362,876
Real and other taxes	3,130,658
Accrued interest	6

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant. Receivables are expected to be collected within the subsequent year.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of the 2013 taxes.

2014 real property taxes were levied after October 1, 2014 on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased 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 was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2014, was \$14.65 per \$1,000 of assessed valuation. The assessed values of real property upon which 2014 property tax receipts were based are as follows:

Real property	\$ 291,880,230
Public utilities - real	51,310
Public utilities - personal	<u>16,624,780</u>
Total assessed value	<u><u>\$ 308,556,320</u></u>

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

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts within the County, including the City of New Franklin. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2014, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 8 - 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 percent. 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 percent rate for 2014 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 2015 using the 1 percent rate.

All residents, 16 years of age and over, working outside the City are subject to the 1 percent 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 percent.

Income tax revenues are allocated based on City ordinance. The parks and recreation program receives 5 percent of the collections and the balance goes to the general fund. In 2014, all costs of collecting the taxes and administering and enforcing the provisions were paid from the general fund.

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**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> 12/31/13	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/14
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,408,110	\$ 32,774	\$ -	\$ 1,440,884
Construction in progress	<u>445,703</u>	<u>316,438</u>	<u>(479,105)</u>	<u>283,036</u>
Total capital assets, not being depreciated	<u>1,853,813</u>	<u>349,212</u>	<u>(479,105)</u>	<u>1,723,920</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	1,384,617	66,600	-	1,451,217
Furniture and equipment	1,477,797	60,424	(95,150)	1,443,071
Vehicles	2,498,162	82,621	(159,091)	2,421,692
Infrastructure	<u>3,944,168</u>	<u>780,455</u>	<u>-</u>	<u>4,724,623</u>
Total capital assets, being depreciated	<u>9,304,744</u>	<u>990,100</u>	<u>(254,241)</u>	<u>10,040,603</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(355,447)	(40,204)	-	(395,651)
Furniture and equipment	(805,345)	(96,721)	89,355	(812,711)
Vehicles	(1,622,994)	(175,204)	148,407	(1,649,791)
Infrastructure	<u>(303,106)</u>	<u>(216,719)</u>	<u>-</u>	<u>(519,825)</u>
Total accumulated depreciation	<u>(3,086,892)</u>	<u>(528,848)</u>	<u>237,762</u>	<u>(3,377,978)</u>
Total capital assets, being depreciated, net	<u>6,217,852</u>	<u>461,252</u>	<u>(16,479)</u>	<u>6,662,625</u>
Governmental activities capital assets, net	<u>\$ 8,071,665</u>	<u>\$ 810,464</u>	<u>\$ (495,584)</u>	<u>\$ 8,386,545</u>

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to programs as follows:

Governmental activities:

General government	\$ 23,491
Security of persons and property	240,446
Transportation	259,210
Leisure time activity	<u>5,701</u>
Total depreciation expense - governmental activities	<u>\$ 528,848</u>

NOTE 10 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 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 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$179,162, \$192,869, and \$150,448, respectively; 92.10% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$6,444 made by the City and \$4,603 made by the plan members.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$70,246 and \$208,300 for the year ended December 31, 2014, \$46,213 and \$147,502 for the year ended December 31, 2013, and \$22,197 and \$77,399, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 91.73% has been contributed for police and 89.98% has been contributed for firefighters for 2014. The remaining 2014 pension liability has been reported as due to other governments on the basic financial statements.

NOTE 11 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree 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 post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$29,871, \$13,680, and \$54,432, respectively; 92.10% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare 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-employment 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 Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$2,039 and \$4,807 for the year ended December 31, 2014, \$9,605 and \$24,000 for the year ended December 31, 2013, and \$11,751 and \$30,286, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 89.98% has been contributed for police and 91.73% has been contributed for firefighters for 2014. The remaining 2014 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG-TERM OBLIGATIONS

Long term liability activity for the year ended December 31, 2014, was as follows:

Governmental activities:	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/14</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Compensated absences	\$ 613,973	\$ 119,021	\$ (83,804)	\$ 649,190	\$ 63,825
Total governmental activities long-term obligations	<u>\$ 613,973</u>	<u>\$ 119,021</u>	<u>\$ (83,804)</u>	<u>\$ 649,190</u>	<u>\$ 63,825</u>

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (YORK), functions as the administrator of PEP and provides underwriting, claims loss control, risk management, and reinsurance services for PEP. PEP is a member of American Public Entity Excess Pool (APEEP), which is also administered by YORK. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. A December 31, 2014, PEP retained \$350,000 casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective PEP member.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2014 and 2013 (the latest information available):

	<u>2014</u>	<u>2013</u>
Assets	\$ 35,402,177	\$ 34,411,883
Liabilities	<u>(12,363,257)</u>	<u>(12,760,194)</u>
Net Position	<u>\$ 23,038,920</u>	<u>\$ 21,651,689</u>

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - RISK MANAGEMENT - (Continued)

At December 31, 2014 and 2013, respectively, the liabilities above include approximately \$11.2 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.1 million of unpaid claims to be billed to approximately 488 member governments in the future, as of December 31, 2014 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the City's share of these unpaid claims collectible in future years is approximately \$105,232.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2013</u>
<u>\$ 52,616</u>	<u>\$ 46,231</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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, 2014, a total expense of \$1,032,673 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 \$45,924 reported in the fund at December 31, 2014 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.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - RISK MANAGEMENT - (Continued)

Changes in the fund's claims liability amount in 2014 and 2013 were:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2014	\$ 77,959	\$ 1,013,893	\$ (1,045,928)	\$ 45,924
2013	57,781	855,722	(835,544)	77,959

NOTE 14 - CONTINGENCIES

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 15 - 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 16 - INTERFUND TRANSFERS AND ADVANCES

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.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 16 - INTERFUND TRANSFERS AND ADVANCES - (Continued)

The transfers in 2014 are as follows:

Transfers Out	<u>Transfers In</u>	
	Police District	Total
General fund	\$ 650,000	\$ 650,000
Total	\$ 650,000	\$ 650,000

The general fund transferred to the police district fund to cover expenditures.

In 2014, the general fund advanced \$18,680 to the EPA stormwater fund (a nonmajor governmental fund). This advance is expected to be repaid in 2015.

NOTE 17 - ENCUMBRANCE COMMITMENT

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

Fund	Year-End Encumbrances
General fund	\$ 29,374
Street construction, maintenance and repair fund	5,659
Nonmajor governmental funds	4,500
Total	\$ 39,533

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**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 18 - FUND BALANCE

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

Fund balance	General	Street Construction, Maintenance and Repair Fund	Police District Fund	Fire District Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ -	\$ 25,661	\$ -	\$ -	\$ -	\$ 25,661
Prepays	4,114	2,202	2,440	4,632	-	13,388
Total nonspendable	<u>4,114</u>	<u>27,863</u>	<u>2,440</u>	<u>4,632</u>	<u>-</u>	<u>39,049</u>
Restricted:						
Security of persons and property	-	-	-	112,589	72,156	184,745
Public health	-	-	-	-	127,320	127,320
Transportation	-	893,414	-	-	306,161	1,199,575
Other purposes	-	-	-	-	11,248	11,248
Debt service	-	-	-	-	2,183	2,183
Total restricted	<u>-</u>	<u>893,414</u>	<u>-</u>	<u>112,589</u>	<u>519,068</u>	<u>1,525,071</u>
Committed:						
General government	29,374	-	-	-	-	29,374
Leisure time activity	-	-	-	-	103,658	103,658
Capital improvements	-	-	-	-	152,960	152,960
Total committed	<u>29,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,618</u>	<u>285,992</u>
Assigned:						
Subsequent year appropriations	140,694	-	-	-	-	140,694
Total assigned	<u>140,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,694</u>
Unassigned (deficit)	<u>340,935</u>	<u>-</u>	<u>(12,247)</u>	<u>-</u>	<u>(18,680)</u>	<u>310,008</u>
Total fund balances	<u>\$ 515,117</u>	<u>\$ 921,277</u>	<u>\$ (9,807)</u>	<u>\$ 117,221</u>	<u>\$ 757,006</u>	<u>\$ 2,300,814</u>

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 15, 2015, wherein we qualified our opinion on the governmental activities and remaining fund information as we were unable to obtain sufficient appropriate audit evidence about the proper processing health insurance claims expenses and liabilities.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

October 15, 2015

**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness – Health Insurance Claims Processing Service Organization Controls

Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization, prescribes standards for reporting on the processing (i. e. control and design and operation) of transactions by service organizations. An unqualified, Type II “Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness” (Type 2 SOC 1 Report) in accordance with SSAE No. 16, should provide the City with an appropriate level of assurance that claims are being processed completely and accurately.

The City has outsourced employees’ health insurance claims processing, which is a significant accounting function, to a third-party administrator. Although the third-party administrator obtained a Service Organization Controls 1 (Type 2 SOC 1 Report) in the past, the third-party administrator did not obtain a Type 2 SOC 1 Report for the current audit period. The City did not have procedures in place to monitor the progress of the third-party administrator's Type 2 SOC 1 Report.

The City should specify in their contract with the service organization that an annual Type 2 SOC 1 Report be performed. The City should be provided a copy of the Type 2 SOC 1 Report timely, should review the report’s content to help ensure proper control activities are in place at the service organization, and determine that the Complimentary User Entity Controls are implemented by the City. Type 2 SOC 1 Report procedures should be conducted in accordance with American Institute of Certified Public Accountants’ (AICPA) Standards by a firm registered and considered in “good standing” with the Accountancy Board of the respective State. If the service organization is unable or unwilling to provide a Type 2 SOC 1 Report, the City should consider obtaining claim processing services from an organization that provides such a report.

Official’s Response:

It should be noted that our third-party administrator was originally selected because they did provide the necessary Service Organization Controls 1, and the City of New Franklin was only notified that the report had not been done during this audit. The City was unaware that the report had been discontinued by the third-party administrator. The third-party administrator has made arrangements to complete the report for 2015 and refund their commission for 2014.

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 5, 2015**