

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

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2015

SUSAN M. COOKE, FINANCE DIRECTOR



Dave Yost • Auditor of State

City Council
City of New Franklin
5611 Manchester Road
Akron, Ohio 44319

We have reviewed the *Independent Auditor's Report* of the City of New Franklin, Summit County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of New Franklin is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 4, 2016

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

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, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of New Franklin'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 audit 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 of New Franklin'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 of New Franklin's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, street construction maintenance and repair fund, police district fund, and fire district fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City of New Franklin adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2016, on our consideration of the City of New Franklin'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 of New Franklin's internal control over financial reporting and compliance.



Julian & Grube, Inc.
July 28, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The total net position of the City increased \$1,938,999 or 27.32% from 2014's restated net position.
- General revenues accounted for \$5,103,054 or 59.07% of total governmental activities revenue. Program specific revenues accounted for \$3,535,465 or 40.93% of total governmental activities revenue.
- The City had \$6,699,520 in expenses related to governmental activities; \$3,535,465 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 \$5,103,054.
- The general fund had revenues of \$2,145,341 in 2015. The expenditures and other financing uses of the general fund totaled \$2,269,385 in 2015. The net decrease in fund balance for the general fund was \$124,044 or 24.08%.
- The street construction maintenance and repair fund had revenues of \$2,509,924 in 2015. The expenditures of the street construction maintenance and repair fund totaled \$2,324,808 in 2015. The net increase in fund balance for the street construction maintenance and repair fund was \$185,116 or 20.09%.
- The police district fund had revenues and other financing sources of \$1,581,616 in 2015. The expenditures of the police district fund totaled \$1,583,707 in 2015. The net decrease in fund balance for the police district fund was \$2,091 or 21.32%.
- The fire district fund had revenues of \$2,007,878 in 2015. The expenditures of the fire district fund totaled \$2,012,276 in 2015. The net decrease in fund balance for the fire district fund was \$4,398 or 3.75%.
- In the general fund, the actual revenues and other financing sources of \$2,081,484 were lower than the final budget of \$2,148,404. Actual expenditures and other financing uses of \$2,184,468 were less than the amount in the final budget of \$2,332,667. Original budgeted revenues and other financing sources of \$2,148,404 remained the same as part of the final budgeted revenues and other financing sources. Final budgeted expenditures and other financing uses of \$2,332,667 also remained consistent with the original budgeted revenues and other financing uses.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

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.

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 2015?" 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 construction maintenance and repair fund, police district fund and fire district fund begins on page 12.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

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 construction 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 17 through 26 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 statements can be found on pages 27 through 29.

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 30.

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 31-66 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 67-73 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-Wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.

	Net Position	
	Governmental Activities 2015	(Restated) Governmental Activities 2014
<u>Assets</u>		
Current and other assets	\$ 7,360,325	\$ 7,040,797
Capital assets	<u>10,154,372</u>	<u>8,386,545</u>
Total assets	<u>17,514,697</u>	<u>15,427,342</u>
<u>Deferred Outflows</u>	<u>794,204</u>	<u>515,812</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	5,726,073	5,391,896
Other liabilities	<u>446,346</u>	<u>475,272</u>
Total liabilities	<u>6,172,419</u>	<u>5,867,168</u>
<u>Deferred Inflows</u>	<u>3,100,288</u>	<u>2,978,791</u>
<u>Net Position</u>		
Net investment in capital assets	10,154,372	8,386,545
Restricted	1,715,959	1,670,513
Unrestricted (deficit)	<u>(2,834,137)</u>	<u>(2,959,863)</u>
Total net position	<u>\$ 9,036,194</u>	<u>\$ 7,097,195</u>

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$11,324,089 to \$7,097,195.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$9,036,194.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 57.98% 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, 2015, was \$10,154,372 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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A portion of the City's net position, \$1,715,959, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance is a deficit unrestricted net position of (\$2,834,137).

The following table shows the changes in net position for 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 3.

	Change in Net Position	
	(Restated)	
	Governmental Activities 2015	Governmental Activities 2014
Revenues		
Program revenues:		
Charges for services	\$ 583,471	\$ 728,685
Operating grants and contributions	2,729,654	838,483
Capital grants and contributions	222,340	13,940
Total program revenues	<u>3,535,465</u>	<u>1,581,108</u>
General revenues:		
Municipal income taxes	1,191,525	1,078,048
Property taxes	3,008,457	3,008,430
Unrestricted grants and entitlements	842,070	1,130,652
Investment earnings	217	262
Miscellaneous	60,785	23,603
Total general revenues	<u>5,103,054</u>	<u>5,240,995</u>
Total revenues	<u>8,638,519</u>	<u>6,822,103</u>
Expenses		
General government	1,041,753	902,055
Security of persons and property	4,177,110	4,153,641
Public health	134,532	126,483
Leisure time services	123,598	2,217
Community development	116,522	178,022
Transportation	1,106,005	1,520,417
Total expenses	<u>6,699,520</u>	<u>6,882,835</u>
Change in net position	<u>1,938,999</u>	<u>(60,732)</u>
Net position at beginning of year	<u>7,097,195</u>	N/A
Net position at end of year	<u>\$ 9,036,194</u>	<u>\$ 7,097,195</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$515,812 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$513,915.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities
Total 2015 program expenses under GASB 68	\$ 6,699,520
Pension expense under GASB 68	(513,915)
2015 contractually required contributions	522,129
Adjusted 2015 program expenses	6,707,734
Total 2014 program expenses under GASB 27	6,882,835
Decrease in program expenses not related to pension	\$ (175,101)

Governmental Activities

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$4,177,110 of the total expenses of the City. These expenses were partially funded by \$385,591 in direct charges to users of the services and \$255,323 in operating grants and contributions. Transportation expenses totaled \$1,106,005. Transportation expenses were primarily funded by \$5,163 in direct charges to users of the services and \$2,688,497 in operating grants and contributions.

During 2015, the state and federal government contributed to the City a total of \$2,729,654 in operating grants and contributions and \$222,340 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$2,688,497 subsidized transportation programs and \$255,323 subsidized security of persons and property programs. Of the total capital grants and contributions, \$222,340 subsidized leisure time services.

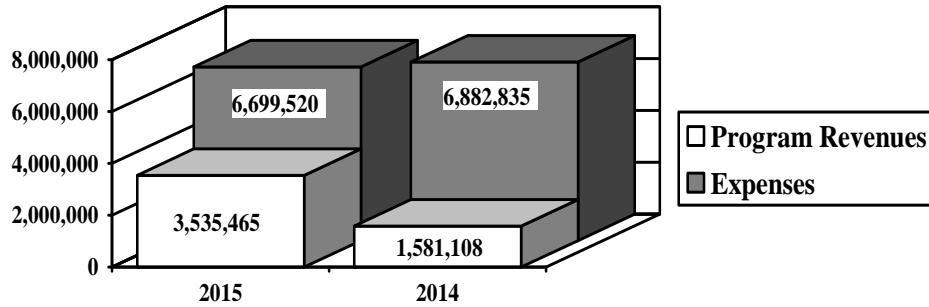
General revenues totaled \$5,103,054, and amounted to 59.07% of total governmental revenues in 2015. These revenues primarily consist of property and municipal income tax revenue of \$4,199,982. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$842,070.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

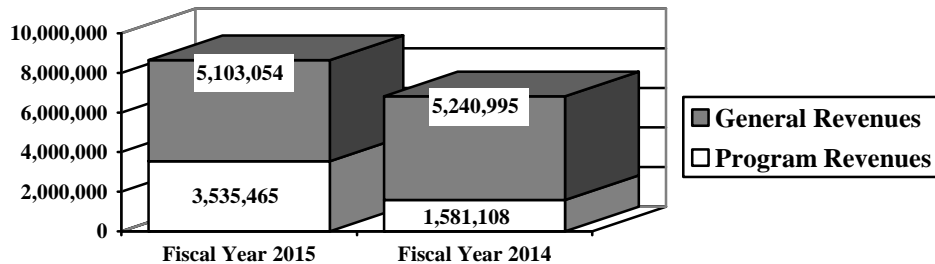
Governmental Activities - Program Revenues vs. Total Expenses



	Governmental Activities			
	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 1,041,753	\$ 884,545	\$ 902,055	\$ 747,717
Security of persons and property	4,177,110	3,536,196	4,153,641	3,449,324
Public health	134,532	134,532	126,483	126,483
Leisure time services	123,598	(142,425)	2,217	(30,790)
Community development	116,522	116,522	178,022	148,022
Transportation	1,106,005	(1,365,315)	1,520,417	860,971
Total	\$ 6,699,520	\$ 3,164,055	\$ 6,882,835	\$ 5,301,727

The dependence upon general revenues for governmental activities is apparent, with 47.23% of expenses supported through taxes and other general revenues for 2015.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

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 17-18) reported a combined fund balance of \$2,346,457 which is \$45,643 more than last year's total of \$2,300,814. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 and December 31, 2014 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) 12/31/15	Fund Balances (Deficit) 12/31/14	Increase / Decrease
Major funds:			
General	\$ 391,073	\$ 515,117	\$ (124,044)
Street construction maintenance and repair	1,106,393	921,277	185,116
Police district	(11,898)	(9,807)	(2,091)
Fire district	112,823	117,221	(4,398)
Other nonmajor governmental funds	748,066	757,006	(8,940)
Total	<u>\$ 2,346,457</u>	<u>\$ 2,300,814</u>	<u>\$ 45,643</u>

General Fund

The City's general fund balance decreased \$124,044. 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.

	2015 Amount	2014 Amount	Amount Increase (Decrease)	Percentage Increase (Decrease)
Revenues				
Taxes	\$ 1,250,925	\$ 1,237,430	\$ 13,495	1.09 %
Charges for services	303,364	243,588	59,776	24.54 %
Licenses and permits	114,173	102,790	11,383	11.07 %
Intergovernmental	373,594	688,399	(314,805)	(45.73) %
Interest	217	262	(45)	(17.18) %
Rental income	42,283	31,507	10,776	34.20 %
Other	60,785	23,603	37,182	157.53 %
Total	<u>\$ 2,145,341</u>	<u>\$ 2,327,579</u>	<u>\$ (182,238)</u>	<u>(7.83) %</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

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

<u>Expenditures</u>	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Amount Increase (Decrease)</u>	<u>Percentage Increase (Decrease)</u>
General government	\$ 1,004,814	\$ 957,046	\$ 47,768	4.99 %
Security of persons and property	347,951	372,032	(24,081)	(6.47) %
Public health	113,141	112,795	346	0.31 %
Leisure time services	57,047	51,424	5,623	10.93 %
Community development	116,571	145,591	(29,020)	(19.93) %
Transportation	13,091	48,720	(35,629)	(73.13) %
Capital outlay	16,770	133,497	(116,727)	(87.44) %
Total	\$ 1,669,385	\$ 1,821,105	\$ (151,720)	(8.33) %

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 community development expenditures can be attributed to a decrease in zoning expenses. All other current year expenses were comparable to the prior year.

Street Construction Maintenance and Repair Fund

The City's street construction maintenance and repair fund had revenues of \$2,509,924 in 2015. The expenditures of the street construction maintenance and repair fund totaled \$2,324,808 in 2015. The net increase in fund balance for the street construction maintenance and repair fund was \$185,116 or 20.09%. This increase is due to an increase in intergovernmental revenues and a decrease in transportation expenditures.

Police District Fund

The police district fund had revenues and other financing sources of \$1,581,616 in 2015. The expenditures of the police district fund totaled \$1,583,707 in 2015. The net decrease in fund balance for the police district fund was \$2,091 or 21.32%. The slight decrease in fund balance is due to the decrease in transfers from the general fund.

Fire District Fund

The fire district fund had revenues of \$2,007,878 in 2015. The expenditures of the fire district fund totaled \$2,012,276 in 2015. The net decrease in fund balance for the fire district fund was \$4,398 or 3.75%. The slight decrease in fund balance is due to the increase in the associated security of persons and property expenditures.

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, 2015
UNAUDITED

Budgetary information is presented for the general fund. The actual revenues and other financing sources of \$2,081,484 were lower than the final budget of \$2,148,404. Actual expenditures and other financing uses of \$2,184,468 were less than the amount in the final budget of \$2,332,667. Budgeted revenues and other financing sources and budgeted expenditures and other financing uses remained consistent from the original budget to the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of 2015, the City had \$10,154,372 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, furniture and equipment, vehicles and infrastructure, which is an increase of \$1,767,827 from prior year.

The following table shows 2015 balances compared to 2014:

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

	Governmental Activities	
	2015	2014
Land	\$ 1,663,224	\$ 1,440,884
Construction in progress	205,078	283,036
Buildings and improvements	1,047,163	1,055,566
Furniture and equipment	572,415	630,360
Vehicles	806,244	771,901
Infrastructure	5,860,248	4,204,798
Totals	\$ 10,154,372	\$ 8,386,545

The City's largest capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 57.71% 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, 2015, the City had no outstanding long-term obligations, other than compensated absences and net pension liability. 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.

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

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 2,304,520
Receivables:	
Accounts	244,175
Due from other governments	1,116,765
Income taxes	411,017
Property taxes	3,254,346
Accrued interest	7
Materials and supplies inventory	16,341
Prepayments	13,154
Capital assets:	
Land and construction in progress	1,868,302
Depreciable capital assets, net	8,286,070
Total capital assets, net	10,154,372
Total assets	17,514,697
Deferred outflows of resources:	
Pension Ohio police and fire	525,654
Pension OPERS	268,550
Total deferred outflows of resources	794,204
Liabilities:	
Accounts payable	46,465
Contracts payable	23,922
Accrued wages and benefits payable	111,481
Due to other governments	213,935
Claims payable	50,543
Long-term liabilities:	
Due within one year	104,998
Net pension liability	4,986,129
Other amounts due in more than one year . . .	634,946
Total liabilities	6,172,419
Deferred inflows of resources:	
Property taxes levied for the next fiscal year . .	3,073,533
Pension OPERS	26,755
Total deferred inflows of resources	3,100,288
Net position:	
Net investment in capital assets	10,154,372
Restricted for:	
Debt service	2,183
Police and fire operations	68,492
Street construction and maintenance	1,509,798
Other purposes	135,486
Unrestricted (deficit)	(2,834,137)
Total net position	\$ 9,036,194

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government.	\$ 1,041,753	\$ 150,434	\$ 6,774	\$ -	\$ (884,545)
Security of persons and property . . .	4,177,110	385,591	255,323	-	(3,536,196)
Public health.	134,532	-	-	-	(134,532)
Leisure time services.	123,598	42,283	1,400	222,340	142,425
Community development.	116,522	-	-	-	(116,522)
Transportation	1,106,005	5,163	2,466,157	-	1,365,315
Total governmental activities	\$ 6,699,520	\$ 583,471	\$ 2,729,654	\$ 222,340	(3,164,055)
General revenues:					
Property taxes levied for:					
General purposes					154,648
Street maintenance and repair					363,141
Police and fire operations.					2,490,668
Income taxes levied for:					
General purposes					1,133,706
Other purposes					57,819
Grants and entitlements not restricted to specific programs					842,070
Investment earnings					217
Miscellaneous					60,785
Total general revenues					5,103,054
Change in net position					1,938,999
Net position at beginning of year (restated) . .					7,097,195
Net position at end of year					\$ 9,036,194

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Street Construction Maintenance and Repair Fund</u>	<u>Police District</u>	<u>Fire District</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 113,387	\$ 1,021,806	\$ 66,520	\$ 214,816
Receivables:				
Accounts	195,519	11,175	-	-
Due from other governments	176,873	694,132	67,518	142,472
Income taxes	391,115	-	-	-
Property taxes	158,706	389,552	832,181	1,873,907
Interfund loans	6,648	-	-	-
Accrued interest	-	-	-	-
Materials and supplies inventory	-	16,341	-	-
Prepayments	4,352	2,103	2,274	4,425
Total assets	<u>\$ 1,046,600</u>	<u>\$ 2,135,109</u>	<u>\$ 968,493</u>	<u>\$ 2,235,620</u>
Liabilities:				
Accounts payable	\$ 19,897	\$ 384	\$ 5,174	\$ 2,679
Contracts payable	-	23,922	-	-
Accrued wages and benefits payable	20,409	12,338	30,142	48,592
Compensated absences payable	-	-	20,437	12,687
Due to other governments	24,822	114,953	31,592	42,460
Interfund loans payable	-	-	-	-
Total liabilities	<u>65,128</u>	<u>151,597</u>	<u>87,345</u>	<u>106,418</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year . . .	149,564	367,112	789,484	1,767,373
Delinquent property tax revenue not available. . .	9,142	22,440	42,697	106,534
Miscellaneous revenue not available	73,917	1,682	4,332	-
Income tax revenue not available	241,876	-	-	-
Nonexchange transactions	115,900	485,885	56,533	142,472
Total deferred inflows of resources	<u>590,399</u>	<u>877,119</u>	<u>893,046</u>	<u>2,016,379</u>
Total liabilities and deferred inflows of resources.	<u>655,527</u>	<u>1,028,716</u>	<u>980,391</u>	<u>2,122,797</u>
Fund balances:				
Nonspendable	4,352	18,444	2,274	4,425
Restricted	-	1,087,949	-	108,398
Committed	-	-	-	-
Assigned	108,853	-	-	-
Unassigned (deficit)	<u>277,868</u>	<u>-</u>	<u>(14,172)</u>	<u>-</u>
Total fund balances (deficit)	<u>391,073</u>	<u>1,106,393</u>	<u>(11,898)</u>	<u>112,823</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,046,600</u>	<u>\$ 2,135,109</u>	<u>\$ 968,493</u>	<u>\$ 2,235,620</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 736,650	\$ 2,153,179
34,658	241,352
35,770	1,116,765
19,902	411,017
-	3,254,346
-	6,648
7	7
-	16,341
-	13,154
<u>\$ 826,987</u>	<u>\$ 7,212,809</u>
\$ 18,331	\$ 46,465
-	23,922
-	111,481
-	33,124
108	213,935
6,648	6,648
<u>25,087</u>	<u>435,575</u>
-	3,073,533
-	180,813
24,182	104,113
11,300	253,176
18,352	819,142
<u>53,834</u>	<u>4,430,777</u>
<u>78,921</u>	<u>4,866,352</u>
-	29,495
478,034	1,674,381
270,032	270,032
-	108,853
-	263,696
<u>748,066</u>	<u>2,346,457</u>
<u>\$ 826,987</u>	<u>\$ 7,212,809</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances	\$	2,346,457
<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.		10,154,372
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 253,176	
Property taxes receivable	180,813	
Accounts receivable	104,113	
Intergovernmental receivable	819,142	
Total	1,357,244	1,357,244
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	794,204	
Deferred inflows of resources	(26,755)	
Net pension liability	(4,986,129)	
Total	(4,218,680)	(4,218,680)
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.		103,621
Long-term liabilities, compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.		(706,820)
Net position of governmental activities	\$	9,036,194

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, 2015

	<u>General</u>	<u>Street Construction Maintenance and Repair Fund</u>	<u>Police District</u>	<u>Fire District</u>
Revenues:				
Property taxes	\$ 153,292	\$ 359,810	\$ 754,118	\$ 1,712,291
Income taxes	1,097,633	-	-	-
Charges for services	303,364	-	73,544	1,838
Licenses and permits	114,173	-	-	-
Fines and forfeitures	-	-	1,461	-
Intergovernmental	373,594	2,127,868	131,716	287,815
Interest	217	145	362	483
Rental income	42,283	-	-	-
Contributions and donations	101	-	6,327	325
Other	60,684	22,101	14,088	5,126
Total revenues	<u>2,145,341</u>	<u>2,509,924</u>	<u>981,616</u>	<u>2,007,878</u>
Expenditures:				
Current:				
General government	1,004,814	-	-	-
Security of persons and property	347,951	-	1,514,961	1,989,628
Public health	113,141	-	-	-
Leisure time services	57,047	-	-	-
Community development	116,571	-	-	-
Transportation	13,091	908,400	-	-
Capital outlay	16,770	1,416,408	68,746	22,648
Total expenditures	<u>1,669,385</u>	<u>2,324,808</u>	<u>1,583,707</u>	<u>2,012,276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>475,956</u>	<u>185,116</u>	<u>(602,091)</u>	<u>(4,398)</u>
Other financing sources (uses):				
Transfers in	-	-	600,000	-
Transfers (out)	(600,000)	-	-	-
Total other financing sources (uses)	<u>(600,000)</u>	<u>-</u>	<u>600,000</u>	<u>-</u>
Net change in fund balances	(124,044)	185,116	(2,091)	(4,398)
Fund balances (deficit) at beginning of year . . .	<u>515,117</u>	<u>921,277</u>	<u>(9,807)</u>	<u>117,221</u>
Fund balances (deficit) at end of year	<u>\$ 391,073</u>	<u>\$ 1,106,393</u>	<u>\$ (11,898)</u>	<u>\$ 112,823</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,979,511
55,957	1,153,590
114,733	493,479
-	114,173
266	1,727
406,366	3,327,359
29	1,236
-	42,283
1,400	8,153
-	101,999
<u>578,751</u>	<u>8,223,510</u>
6,648	1,011,462
17,579	3,870,119
21,391	134,532
61,098	118,145
-	116,571
208,414	1,129,905
272,561	1,797,133
<u>587,691</u>	<u>8,177,867</u>
<u>(8,940)</u>	<u>45,643</u>
-	600,000
-	<u>(600,000)</u>
-	-
(8,940)	45,643
757,006	2,300,814
<u>\$ 748,066</u>	<u>\$ 2,346,457</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, 2015

Net change in fund balances - total governmental funds	\$	45,643
 <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	\$ 2,372,700	
Current year depreciation	(596,462)	
Total		1,776,238
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(8,411)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	37,935	
Property taxes	28,946	
Charges for service	(167,308)	
Intergovernmental revenues	293,096	
Total		192,669
 Contractually required pension contributions are reported as expenditures in governmental funds; however the statement of net position reports these amounts as deferred outflows.		
		522,129
 Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(513,915)
 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.		
		(57,630)
 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.		
		(17,724)
Change in net position of governmental activities	\$	1,938,999

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 147,538	\$ 147,538	\$ 153,292	\$ 5,754
Income taxes	1,025,000	1,025,000	1,065,165	40,165
Charges for services.	307,200	307,200	298,230	(8,970)
Licenses and permits	117,000	117,000	111,877	(5,123)
Intergovernmental.	355,216	355,216	374,638	19,422
Interest.	300	300	217	(83)
Contributions and donations.	300	300	101	(199)
Other	177,170	177,170	59,284	(117,886)
Total revenues	<u>2,129,724</u>	<u>2,129,724</u>	<u>2,062,804</u>	<u>(66,920)</u>
Expenditures:				
Current:				
General government	978,074	978,074	967,108	10,966
Security of persons and property	26,000	26,000	12,788	13,212
Public health.	113,141	113,141	113,141	-
Community development	139,452	139,452	116,360	23,092
Transportation	45,000	45,000	12,746	32,254
Capital outlay	41,000	41,000	15,677	25,323
Total expenditures	<u>1,342,667</u>	<u>1,342,667</u>	<u>1,237,820</u>	<u>104,847</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>787,057</u>	<u>787,057</u>	<u>824,984</u>	<u>37,927</u>
Other financing sources (uses):				
Advances in	18,680	18,680	18,680	-
Advances (out) and not repaid	-	-	(6,648)	(6,648)
Transfers (out).	(990,000)	(990,000)	(940,000)	50,000
Total other financing sources (uses)	<u>(971,320)</u>	<u>(971,320)</u>	<u>(927,968)</u>	<u>43,352</u>
Net change in fund balances	(184,263)	(184,263)	(102,984)	81,279
Fund balances at beginning of year	165,470	165,470	165,470	-
Prior year encumbrances appropriated . . .	43,569	43,569	43,569	-
Fund balance at end of year	<u>\$ 24,776</u>	<u>\$ 24,776</u>	<u>\$ 106,055</u>	<u>\$ 81,279</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 CONSTRUCTION MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 358,592	\$ 358,592	\$ 359,810	\$ 1,218
Intergovernmental.	680,000	680,000	1,980,702	1,300,702
Interest	200	200	145	(55)
Other	17,800	17,800	12,608	(5,192)
Total revenues	<u>1,056,592</u>	<u>1,056,592</u>	<u>2,353,265</u>	<u>1,296,673</u>
Expenditures:				
Current:				
Transportation	1,568,500	1,568,500	900,830	667,670
Capital outlay	251,000	251,000	1,416,649	(1,165,649)
Total expenditures	<u>1,819,500</u>	<u>1,819,500</u>	<u>2,317,479</u>	<u>(497,979)</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(762,908)</u>	<u>(762,908)</u>	<u>35,786</u>	<u>798,694</u>
Other financing sources (uses):				
Transfers in	50,000	50,000	30,000	(20,000)
Transfers (out).	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balances	(742,908)	(742,908)	35,786	778,694
Fund balances at beginning of year	850,527	850,527	850,527	-
Prior year encumbrances appropriated . . .	135,493	135,493	135,493	-
Fund balance at end of year	<u>\$ 243,112</u>	<u>\$ 243,112</u>	<u>\$ 1,021,806</u>	<u>\$ 778,694</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 749,345	\$ 754,000	\$ 754,118	\$ 118
Charges for services.	74,537	75,000	73,544	(1,456)
Fines and forfeitures	3,001	3,020	1,092	(1,928)
Intergovernmental.	113,847	114,554	114,201	(353)
Interest	248	250	362	112
Contributions and donations	-	-	6,327	6,327
Other	37,596	37,830	30,088	(7,742)
Total revenues	<u>978,574</u>	<u>984,654</u>	<u>979,732</u>	<u>(4,922)</u>
Expenditures:				
Current:				
Security of persons and property	1,623,185	1,622,485	1,501,807	120,678
Capital outlay	<u>62,000</u>	<u>68,780</u>	<u>68,746</u>	<u>34</u>
Total expenditures	<u>1,685,185</u>	<u>1,691,265</u>	<u>1,570,553</u>	<u>120,712</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(706,611)</u>	<u>(706,611)</u>	<u>(590,821)</u>	<u>115,790</u>
Other financing sources:				
Transfers in	<u>650,000</u>	<u>650,000</u>	<u>600,000</u>	<u>(50,000)</u>
Total other financing sources	<u>650,000</u>	<u>650,000</u>	<u>600,000</u>	<u>(50,000)</u>
Net change in fund balances	(56,611)	(56,611)	9,179	65,790
Fund balances at beginning of year	<u>57,341</u>	<u>57,341</u>	<u>57,341</u>	<u>-</u>
Fund balance at end of year	<u>\$ 730</u>	<u>\$ 730</u>	<u>\$ 66,520</u>	<u>\$ 65,790</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,724,565	\$ 1,724,565	\$ 1,712,291	\$ (12,274)
Charges for services.	7,000	7,000	2,281	(4,719)
Intergovernmental.	282,000	282,000	287,815	5,815
Interest	1,000	1,000	483	(517)
Contributions and donations.	1,000	1,000	325	(675)
Other	31,000	31,000	5,126	(25,874)
Total revenues	<u>2,046,565</u>	<u>2,046,565</u>	<u>2,008,321</u>	<u>(38,244)</u>
Expenditures:				
Current:				
Security of persons and property	2,160,000	2,160,000	1,975,327	184,673
Capital outlay	25,000	25,000	22,648	2,352
Total expenditures	<u>2,185,000</u>	<u>2,185,000</u>	<u>1,997,975</u>	<u>187,025</u>
Net change in fund balances	(138,435)	(138,435)	10,346	148,781
Fund balances at beginning of year	204,470	204,470	204,470	-
Fund balance at end of year	<u>\$ 66,035</u>	<u>\$ 66,035</u>	<u>\$ 214,816</u>	<u>\$ 148,781</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2015

	Governmental Activities - Internal Service Funds
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents . . .	\$ 151,341
Accounts receivable	<u>2,823</u>
Total assets	<u>154,164</u>
Liabilities:	
Claims payable	<u>50,543</u>
Total liabilities	<u>50,543</u>
Net position:	
Unrestricted	<u>103,621</u>
Total net position.	<u><u>\$ 103,621</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, 2015

	<u>Governmental Activities - Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 798,353
Operating expenses:	
Contractual services	14,233
Claims expense	801,844
Total operating expenses.	<u>816,077</u>
Change in net position.	(17,724)
Net position at beginning of year	<u>121,345</u>
Net position at end of year	<u>\$ 103,621</u>

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, 2015

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from customers.	\$ 821,317
Cash payments to suppliers for goods and services	(14,233)
Cash payments for claims	<u>(797,225)</u>
Net received from operating activities	<u>9,859</u>
Net increase in cash and cash equivalents.	9,859
Cash and cash equivalents at beginning of year	141,482
Cash and cash equivalents at end of year	<u><u>\$ 151,341</u></u>
Reconciliation of operating loss to net cash received from operating activities:	
Operating loss	\$ (17,724)
Changes in assets and liabilities:	
Decrease in accounts receivable	22,964
Increase in claims payable	<u>4,619</u>
Net received from operating activities	<u><u>\$ 9,859</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, 2015

	<u>Agency</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	<u>\$ 32,940</u>
Total assets	<u><u>\$ 32,940</u></u>
Liabilities:	
Deposits held and due to others.	<u>\$ 32,940</u>
Total liabilities	<u><u>\$ 32,940</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - DESCRIPTION OF THE CITY

On January 1, 2005, the Village of New Franklin and 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 construction 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 construction 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, 2015

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 three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and 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 construction maintenance and repair fund - The street construction 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, 2015

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 deferred outflows of resources and liabilities and deferred inflows of resources 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, 2015

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 and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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 (See Note 8). 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 Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide statement of net position.

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 (personal services and other expenditures) within each fund and department. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 2015.

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 2015, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$217, which includes \$126, 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.

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	15 - 50 Years
Furniture and Equipment	5 - 25 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 2015.

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.

U. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 10 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at January 1, 2015 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 11,324,089
Deferred outflows - payments subsequent to measurement date	515,812
Net pension liability	(4,742,706)
Restated net position at January 1, 2015	\$ 7,097,195

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

B. Deficit Fund Balance

Fund balances at December 31, 2015 included the following individual fund deficit:

<u>Major governmental fund</u>	<u>Deficit</u>
Police district fund	\$ 11,898

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.

C. Compliance

The City expenditures exceeded appropriations within the street construction maintenance and repair fund in noncompliance with Ohio Revised Code Section 5705.41(B).

The City did not record or budget for payments made by ODOT to vendors in noncompliance with Ohio Revised Code Section 5705.42.

The City did not timely or properly modify its appropriations in noncompliance with Ohio Revised Code Section 5705.40.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2015, the carrying amount of all City deposits was \$1,161,934. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$1,080,004 of the City's bank balance of \$1,330,157 was exposed to custodial risk as discussed below, while \$250,153 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, 2015, 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	\$ 1,175,451	\$ 1,175,451	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, 2015

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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	<u>\$ 1,175,451</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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,161,934
Investments	1,175,451
Cash on hand	<u>75</u>
Total	<u>\$ 2,337,460</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,304,520
Agency fund	<u>32,940</u>
Total	<u>\$ 2,337,460</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, 2015

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 construction maintenance and repair fund, police district fund and fire district fund.

	<u>Net Change in Fund Balance</u>			
	<u>General Fund</u>	<u>Street Construction Maintenance and Repair Fund</u>	<u>Police District</u>	<u>Fire District</u>
Budget basis	\$ (102,984)	\$ 35,786	\$ 9,179	\$ 10,346
Net adjustment for revenue accruals	(3,153)	156,659	1,884	(443)
Net adjustment for expenditure accruals	9,518	(7,329)	(13,154)	(14,301)
Net adjustment for other sources/uses	(12,032)	-	-	-
Funds budgeted elsewhere	(15,393)	-	-	-
GAAP basis	<u>\$ (124,044)</u>	<u>\$ 185,116</u>	<u>\$ (2,091)</u>	<u>\$ (4,398)</u>

NOTE 6 - RECEIVABLES

Receivables at December 31, 2015, 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, 2015.

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

Governmental activities:

Accounts	\$ 244,175
Due from other governments	1,116,765
Income taxes	411,017
Property taxes	3,254,346
Accrued interest	7

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, 2015**

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 2015 for real and public utility property taxes represents collections of the 2014 taxes.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 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, 2015, was \$14.65 per \$1,000 of assessed valuation. The assessed values of real property upon which 2015 property tax receipts were based are as follows:

Real property	\$ 287,129,560
Public utilities - real	52,160
Public utilities - personal	22,886,780
Total assessed value	<u>\$ 310,068,500</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, 2015, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 2015 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 2016 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 2015, 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, 2015

NOTE 9 - CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/15</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,440,884	\$ 222,340	\$ -	\$ 1,663,224
Construction in progress	<u>283,036</u>	<u>1,515,345</u>	<u>(1,593,303)</u>	<u>205,078</u>
Total capital assets, not being depreciated	<u>1,723,920</u>	<u>1,737,685</u>	<u>(1,593,303)</u>	<u>1,868,302</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	1,451,217	34,516	-	1,485,733
Furniture and equipment	1,443,071	52,250	(14,989)	1,480,332
Vehicles	2,421,692	201,366	(42,175)	2,580,883
Infrastructure	<u>4,724,623</u>	<u>1,940,186</u>	<u>-</u>	<u>6,664,809</u>
Total capital assets, being depreciated	<u>10,040,603</u>	<u>2,228,318</u>	<u>(57,164)</u>	<u>12,211,757</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(395,651)	(42,919)	-	(438,570)
Furniture and equipment	(812,711)	(101,784)	6,578	(907,917)
Vehicles	(1,649,791)	(167,023)	42,175	(1,774,639)
Infrastructure	<u>(519,825)</u>	<u>(284,736)</u>	<u>-</u>	<u>(804,561)</u>
Total accumulated depreciation	<u>(3,377,978)</u>	<u>(596,462)</u>	<u>48,753</u>	<u>(3,925,687)</u>
Total capital assets, being depreciated, net	<u>6,662,625</u>	<u>1,631,856</u>	<u>(8,411)</u>	<u>8,286,070</u>
Governmental activities capital assets, net	<u>\$ 8,386,545</u>	<u>\$ 3,369,541</u>	<u>\$ (1,601,714)</u>	<u>\$ 10,154,372</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to programs as follows:

Governmental activities:

General government	\$ 24,673
Security of persons and property	256,564
Transportation	309,772
Leisure time activity	<u>5,453</u>
Total depreciation expense - governmental activities	<u>\$ 596,462</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments/pension obligation payable* on both the accrual and modified accrual bases of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The City's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$189,748 for 2015. Of this amount, \$24,878 is reported as due to other governments.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$332,381 for 2015. Of this amount \$36,451 is reported as due to other governments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,476,884	\$ 3,509,245	\$ 4,986,129
Proportion of the net pension liability	0.01224500%	0.067740600%	
Pension expense	\$ 161,098	\$ 352,817	\$ 513,915

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 78,802	\$ 151,245	\$ 230,047
Difference between employer contributions and proportionate share of contributions	-	42,028	42,028
City contributions subsequent to the measurement date	189,748	332,381	522,129
Total deferred outflows of resources	<u>\$ 268,550</u>	<u>\$ 525,654</u>	<u>\$ 794,204</u>
Deferred inflows of resources			
Differences between expected and actual experience	25,946	-	25,946
Difference between employer contributions and proportionate share of contributions	809	-	809
Total deferred inflows of resources	<u>\$ 26,755</u>	<u>\$ -</u>	<u>\$ 26,755</u>

\$522,129 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$ 7,355	\$ 48,318	\$ 55,673
2017	7,355	48,318	55,673
2018	17,638	48,318	65,956
2019	19,699	48,319	68,018
Total	<u>\$ 52,047</u>	<u>\$ 193,273</u>	<u>\$ 245,320</u>

Actuarial Assumptions - OPERS

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

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

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 2,717,043	\$ 1,476,884	\$ 432,371

Actuarial Assumptions – OP&F

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

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

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

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

* levered 2x

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 4,853,817	\$ 3,509,245	\$ 2,370,802

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 Plan and the Combined Plan. 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/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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 2015, 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 2015 was 2.00%.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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, 2015, 2014, and 2013 were \$29,317, \$29,871, and \$13,680, respectively; 88.64% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 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.

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 OPF, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 2015, 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 \$2,311 and \$5,253 for the year ended December 31, 2015, \$2,039 and \$4,807 for the year ended December 31, 2014, and \$9,605 and \$24,000, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 88.51% has been contributed for police and 89.55% has been contributed for firefighters for 2015. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

NOTE 12 - LONG-TERM OBLIGATIONS

During 2015, the following activity occurred in governmental activities long-term obligations. The governmental long-term obligations have been restated as described in Note 3.

	Restated Balance 12/31/14	Additions	Reductions	Balance 12/31/15	Amounts Due in One Year
Governmental activities:					
Net pension liability	\$ 4,742,706	\$ 243,423	\$ -	\$ 4,986,129	\$ -
Compensated absences	<u>649,190</u>	<u>167,606</u>	<u>(76,852)</u>	<u>739,944</u>	<u>104,998</u>
Total governmental activities long-term obligations	<u>\$ 5,391,896</u>	<u>\$ 411,029</u>	<u>\$ (76,852)</u>	<u>\$ 5,726,073</u>	<u>\$ 104,998</u>

Net pension liability: See Note 10 for detail.

Compensated absences: Compensated absences are reported on the statement of net position and will be paid from the fund from which the employee's salaries are paid, which will primarily be the general fund, the police district fund and the fire district fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, 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 net position at December 31, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$ 38,307,677	\$ 35,402,177
Liabilities	<u>(12,759,127)</u>	<u>(12,363,257)</u>
Net Position	<u>\$ 25,548,550</u>	<u>\$ 23,038,920</u>

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$11.5 million and \$11.2 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million and \$10.8 million of unpaid claims to be billed to approximately 499 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the City's share of these unpaid claims collectible in future years is approximately \$45,042.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 13 - RISK MANAGEMENT - (Continued)

Contributions to PEP	
<u>2015</u>	<u>2014</u>
\$ 46,709	\$ 52,616

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, 2015, a total expense of \$816,077 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 \$50,543 reported in the fund at December 31, 2015 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as charges for services to other funds.

Changes in the fund's claims liability amount in 2015 and 2014 were:

Year	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2015	\$ 45,924	\$ 801,844	\$ (797,225)	\$ 50,543
2014	\$ 77,959	\$ 1,013,893	\$ (1,045,928)	\$ 45,924

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

The City of New Franklin is party to legal proceedings. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect on the financial condition of the City.

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.

The transfers in 2015 are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	
	Police District	Total
General fund	\$ 600,000	\$ 600,000
Total	\$ 600,000	\$ 600,000

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - INTERFUND TRANSFERS AND ADVANCES - (Continued)

In 2015, the general fund advanced \$6,648 to the JAG grant fund (a nonmajor governmental fund). This advance is expected to be repaid in 2016.

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:

<u>Fund</u>	<u>Year-End Encumbrances</u>
Nonmajor governmental funds	\$ <u>27,235</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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	\$ -	\$ 16,341	\$ -	\$ -	\$ -	\$ 16,341
Prepays	<u>4,352</u>	<u>2,103</u>	<u>2,274</u>	<u>4,425</u>	<u>-</u>	<u>13,154</u>
Total nonspendable	<u>4,352</u>	<u>18,444</u>	<u>2,274</u>	<u>4,425</u>	<u>-</u>	<u>29,495</u>
Restricted:						
General government	-	-	-	-	126	126
Security of persons and property	-	-	-	108,398	68,492	176,890
Public health	-	-	-	-	120,104	120,104
Transportation	-	1,087,949	-	-	271,873	1,359,822
Other purposes	-	-	-	-	15,256	15,256
Debt service	-	-	-	-	2,183	2,183
Total restricted	<u>-</u>	<u>1,087,949</u>	<u>-</u>	<u>108,398</u>	<u>478,034</u>	<u>1,674,381</u>
Committed:						
Leisure time activity	-	-	-	-	84,264	84,264
Capital improvements	-	-	-	-	185,768	185,768
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,032</u>	<u>270,032</u>
Assigned:						
Subsequent year appropriations	<u>108,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,853</u>
Total assigned	<u>108,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,853</u>
Unassigned	<u>277,868</u>	<u>-</u>	<u>(14,172)</u>	<u>-</u>	<u>-</u>	<u>263,696</u>
Total fund balances	<u>\$ 391,073</u>	<u>\$ 1,106,393</u>	<u>\$ (11,898)</u>	<u>\$ 112,823</u>	<u>\$ 748,066</u>	<u>\$ 2,346,457</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW FRANKLIN

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.012245%	0.012245%
City's proportionate share of the net pension liability	\$ 1,476,884	\$ 1,443,526
City's covered-employee payroll	\$ 1,498,225	\$ 1,378,169
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.58%	104.74%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

Note: Information prior to 2013 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW FRANKLIN

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.06774060%	0.06774060%
City's proportionate share of the net pension liability	\$ 3,509,245	\$ 3,299,180
City's covered-employee payroll	\$ 1,522,989	\$ 1,464,435
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	230.42%	225.29%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW FRANKLIN

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 189,748	\$ 179,787	\$ 179,162	\$ 192,869
Contributions in relation to the contractually required contribution	<u>(189,748)</u>	<u>(179,787)</u>	<u>(179,162)</u>	<u>(192,869)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,581,233	\$ 1,498,225	\$ 1,378,169	\$ 1,928,690
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 150,448	\$ 165,826	\$ 138,644	\$ 117,369	\$ 208,891	\$ 204,304
<u>(150,448)</u>	<u>(165,826)</u>	<u>(138,644)</u>	<u>(117,369)</u>	<u>(208,891)</u>	<u>(204,304)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,504,480	\$ 1,859,036	\$ 1,705,338	\$ 1,676,700	\$ 2,501,689	\$ 2,220,696
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%

CITY OF NEW FRANKLIN

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 85,491	\$ 92,371	\$ 70,246	\$ 46,213
Contributions in relation to the contractually required contribution	<u>(85,491)</u>	<u>(92,371)</u>	<u>(70,246)</u>	<u>(46,213)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 449,953	\$ 486,163	\$ 442,355	\$ 362,455
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%
<i>Fire:</i>				
Contractually required contribution	\$ 246,890	\$ 243,654	\$ 208,300	\$ 147,502
Contributions in relation to the contractually required contribution	<u>(246,890)</u>	<u>(243,654)</u>	<u>(208,300)</u>	<u>(147,502)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,050,596	\$ 1,036,826	\$ 1,022,080	\$ 855,084
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	20.38%	17.25%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 22,197	\$ 19,632	\$ 15,779	\$ 12,472	\$ 13,934	\$ 3,461
<u>(22,197)</u>	<u>(19,632)</u>	<u>(15,779)</u>	<u>(12,472)</u>	<u>(13,934)</u>	<u>(3,461)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 174,094	\$ 153,976	\$ 123,757	\$ 97,820	\$ 109,286	\$ 29,455
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
\$ 77,399	\$ 143,389	\$ 143,312	\$ 137,775	\$ 193,554	\$ 185,956
<u>(77,399)</u>	<u>(143,389)</u>	<u>(143,312)</u>	<u>(137,775)</u>	<u>(193,554)</u>	<u>(185,956)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 448,690	\$ 831,241	\$ 830,794	\$ 798,696	\$ 1,122,052	\$ 1,110,185
17.25%	17.25%	17.25%	17.25%	17.25%	16.75%

CITY OF NEW FRANKLIN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Julian & Grube, Inc.

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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 Members of Council and Mayor:

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, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of New Franklin's basic financial statements and have issued our report thereon dated July 28, 2016, wherein we noted as discussed in Note 3, the City of New Franklin adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

Members of Council and Mayor
City of New Franklin

Compliance and Other Matters

As part of reasonably assuring whether the City of New Franklin'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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2015-001, 2015-003 and 2015-004.

City of New Franklin's Response to Findings

The City of New Franklin's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of New Franklin's responses and, accordingly, we express no opinion on them.

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 of New Franklin's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of New Franklin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
July 28, 2016

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Noncompliance/Material Weakness - ODOT

Ohio Rev. Code § 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In 2015 the Ohio Department of Transportation (ODOT) expended funds for various projects on behalf of the City. Under the terms of these agreements, ODOT made payments directly to the vendor/contractor(s) on the City's behalf. In 2015, \$1,310,267 of ODOT on-behalf monies were paid to Superior Paving and Materials, Inc. in relation to the State Route 93 Resurfacing Project (PID #86938). These payments were not recorded in the City's accounting records, thus understating the Street Construction Maintenance and Repair fund's intergovernmental receipts and capital outlay disbursements. In addition, in 2016, \$105,461 of ODOT on-behalf monies were paid to vendor/contractor(s) in relation to PID #98865 for work completed prior to 2015 year end. Numerous adjustments were made to the financial statements to properly state these receipts and disbursements and the related assets and liabilities.

Any payments made on behalf of the City by another party should be recorded by the City as a receipt and disbursement. Failure to do so results in an understatement of receipts and disbursements. Additionally, pursuant to Ohio Rev. Code § 5705.42, the City should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

We recommend the City closely monitor sources aiding in paying the costs of the City. Additionally, we recommend the City budget for all anticipated revenues and expenditures from these sources.

Client Response: The City implemented policies and procedures to help record on-behalf payments and is now aware of the requirements to help ensure future on-behalf payments are properly recorded.

Finding Number	2015-002
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Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

Numerous adjustments were made to the financial statements for the year ended December 31, 2015, to properly state financial statement amounts. The audited financial statements and City records have been adjusted for the material misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-002 - (Continued)

We recommend the City consult with their auditors, Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

Client Response: The largest adjustment was recording the on-behalf payments discussed in Finding Number 2015-001. Other adjustments related to capital assets and related depreciation expense as well as intergovernmental receivables and related deferred revenues. The City will continue to work to provide a sound fiscal environment and understands how to properly record on-behalf payments in the future

Finding Number	2015-003
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Noncompliance - Budget

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

Expenditures exceeded appropriations, at the City’s legal level of control, in the following fund:

<u>Fund/Department/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Street Construction Maintenance and Repair Fund:</u>			
Department: Capital Outlay			
Object: Other	\$ 251,000	\$ 1,416,649	\$ 1,165,649

With disbursements exceeding appropriations, the City is spending monies that have not lawfully been appropriated by the City Council. This may result in unnecessary spending.

We recommend that the City comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: Prior to recording the expenditures for the on-behalf payments noted in Finding Number 2015-001, the City was in compliance with 5705.41(B). The City Council will attempt to approve and modify appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2015-004
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Noncompliance - Budget

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure comply with the same provisions of the law as used in making the original appropriations.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-004 - (Continued)

Expenditures exceeded appropriations during the fiscal year and at fiscal year-end in the street construction maintenance and repair fund. Thus, the City did not timely or properly modify its appropriations.

By not timely and properly modifying appropriations, the City is not adequately monitoring its appropriations. This may result in appropriating monies in excess of estimated resources, having expenditures exceed appropriations, and possibly, fund deficits.

We recommend the City comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring its budgetary process on a regular basis and approving amendments as necessary.

Client Response: Prior to recording the expenditures for the on-behalf payments noted in Finding Number 2015-001, the City was in compliance with 5705.40. The City will attempt to timely and properly modify appropriations in accordance with the Ohio Revised Code.

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

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></u>
2014-001	<p><u>Material Weakness - Health Insurance Claims Processing Service Organization Controls</u> - 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 unmodified, 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. 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.</p>	Yes	N/A



Dave Yost • Auditor of State

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
OCTOBER 18, 2016**