



Dave Yost • Auditor of State

**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of New Franklin
Summit County
5611 Manchester Road
Akron, Ohio 44319-4200

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Street Maintenance and Repair, Police District, and Fire District funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 12, 2013

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

The discussion and analysis of the City of New Franklin's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The City's net position increased \$316,500, which represents a 3 percent increase from 2011.
- The City's total capital assets increased \$4,087 in 2012.
- The City has no outstanding debt.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of New Franklin as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2012 and how they affected the operations of the City as a whole.

Reporting the City of New Franklin as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of 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. In the case of the City of New Franklin, the general fund, street maintenance and repair fund, police district fund and fire district funds are the most significant funds.

A question typically asked about the City's finances "How did we do financially during 2012?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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 which restrict revenue growth, facility conditions, and other factors.

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

- Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.

Reporting the City of New Franklin'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 safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, street maintenance and repair fund, police district fund and fire district fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

The City of New Franklin as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011:

Table 1
Net Position

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 7,676,263	\$ 7,205,003
Capital Assets	5,913,863	5,909,776
<i>Total Assets</i>	13,590,126	13,114,779
Liabilities		
Current and Other Liabilities	3,288,744	3,088,380
Long-Term Liabilities	678,733	720,250
<i>Total Liabilities</i>	3,967,477	3,808,630
Net Position		
Net Investment in		
Capital Assets	5,884,105	5,851,553
Restricted	2,327,285	1,886,263
Unrestricted	1,411,259	1,568,333
<i>Total Net Position</i>	\$ 9,622,649	\$ 9,306,149

At year end, capital assets represented 44 percent of total assets. Capital assets include, land, infrastructure, buildings and improvements, furniture and equipment, vehicles and construction in progress. Net investment in capital assets were \$5,884,105 at December 31, 2012. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,327,285 or 24 percent, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of \$1,411,259 may be used to meet the government's ongoing obligations to citizens and creditors.

The City saw a \$471,260 increase in current assets, primarily due to an increase in income taxes receivable.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Table 2 shows the changes in net position for fiscal year 2012 and 2011.

Table 2
Changes in Net Position

	Governmental Activities	
	2012	2011
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 634,174	\$ 568,384
Operating Grants, Contributions and Interest	914,937	898,487
Capital Grants	0	461,468
<i>General Revenues:</i>		
Property Taxes	2,813,867	2,896,527
Income Taxes	1,087,232	930,103
Grants and Entitlements	879,136	1,396,751
Investment Earnings	9,648	5,928
Miscellaneous	85,908	20,362
<i>Total Revenues</i>	<u>6,424,902</u>	<u>7,178,010</u>
Program Expenses		
General Government	795,567	906,209
Security of Persons and Property	3,976,792	4,182,647
Public Health	125,005	124,424
Leisure Time Services	68,137	30,678
Community Development	114,583	121,733
Transportation	1,025,669	1,314,175
Interest and Fiscal Charges	2,649	3,888
<i>Total Program Expenses</i>	<u>6,108,402</u>	<u>6,683,754</u>
<i>Change in Net Position</i>	316,500	494,256
<i>Net Position Beginning of Year</i>	<u>9,306,149</u>	<u>8,811,893</u>
<i>Net Position End of Year</i>	<u><u>\$ 9,622,649</u></u>	<u><u>\$ 9,306,149</u></u>

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being property taxes. Other prominent sources are municipal income taxes, grants and entitlements, and charges for services.

The City's overall net position increased \$316,500 or 3 percent. There were no significant reasons for this increase.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

There was a \$461,468 decrease in capital grants for fiscal year 2012 as a donation of the Tudor House was received in 2011.

The City's income tax is at a rate of 1.0 percent, which has been in effect since September 1, 2005. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding most of the expenses in the governmental activities are funded. The City monitors its sources of revenues very closely for fluctuations. Due to a decrease in state funding and inheritance taxes, the City saw a \$517,615 decrease in grants and entitlements in 2012.

Police and fire represent the largest expense of the Governmental Activities. This expense of \$3,976,792 represents 65 percent of the total governmental activities expenses. The police department operates out of the Police District fund and the fire department operates out of the Fire District fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$1,025,669, or 17 percent of total governmental activities expenses, during 2012.

The City was able to decrease expenses from 2011 for the security of persons and property and transportation by closely managing budgetary expenditures throughout 2012.

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$193,142 in 2012 equaling 3 percent of the total governmental services expenses.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$6,390,957 and expenditures of \$6,247,120.

The general fund's net change in fund balance for fiscal year 2012 was a decrease of \$245,442.

The street maintenance and repair fund's net change in fund balance for fiscal year 2012 was an increase of \$290,862. This increase is due to the timing of tax collections and state funding received for projects.

The police district fund and the fire district fund saw increases for fiscal year 2012 in the amount of \$13,432 and \$64,424 respectively. These increases were due to the timing of tax collections compared to operating costs.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Proprietary Funds

The City's only proprietary fund is the internal service fund which is rolled into in the government-wide financial statements.

Information about the City's proprietary fund begins on page 21.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2012, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Finance Director. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole. Council formally approves any changes to appropriations.

For the general fund, the actual budget basis revenue was \$1,812,514, representing an increase of \$129,284 over the final budget estimate of \$1,683,230. Most of this difference was attributable to an increase in final budget amounts for income tax and intergovernmental revenues. In addition, the City increased its estimated revenues by \$322,854 as local tax revenues increased.

Final expenditure appropriations of \$1,643,895 were \$448,597 higher than the actual expenditures of \$1,195,298, as cost savings were recognized for general government throughout the year. The City increased their budgeted expenditures by \$53,219 throughout the year due to several capital projects throughout the city.

There were no significant changes between the original and final budgets. The City revised their final budget to include additional taxes expected to be received. Actual taxes received exceeded the taxes in final budget.

Actual costs were lower than the final budget. This is primarily due to general government expenses being monitored and reduced throughout the year while maintaining the same level of services to the citizens.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Capital Assets and Debt Administration

Capital Assets

At the end of year 2012, the City had \$5,913,863 invested in capital assets. Table 3 shows fiscal year 2012 balances compared with 2011.

Table 3
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities	
	2012	2011
Land	\$ 1,299,767	\$ 1,250,118
Infrastructure	1,512,553	1,569,277
Buildings and Improvements	1,052,292	1,082,309
Furniture and Equipment	727,500	626,379
Vehicles	1,048,132	1,182,614
Construction in Progress	273,619	199,079
<i>Total</i>	\$ 5,913,863	\$ 5,909,776

The \$4,087 increase in capital assets was attributable to additional purchases exceeding current year depreciation and disposals. See Note 7 for additional information about the capital assets of the City.

Debt

At December 31, 2012, the City had no outstanding long term debt obligations, other than a capital lease and compensated absences. See Note 10 and 11 for additional information.

Contacting the City's Finance Department

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 Sue Cooke, Finance Director at 5611 Manchester Road, Akron, Ohio 44319.

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City of New Franklin
Summit County, Ohio
Statement of Net Position
December 31, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,419,277
Accounts Receivable	176,230
Accrued Interest Receivable	1,045
Intergovernmental Receivable	732,130
Taxes Receivable	3,347,581
Non-Depreciable Capital Assets	1,573,386
Depreciable Capital Assets, Net	4,340,477
<i>Total Assets</i>	13,590,126
Liabilities	
Accounts Payable	64,097
Accrued Wages	64,472
Intergovernmental Payable	232,235
Claims Payable	57,781
Deferred Revenue	2,870,159
Long-Term Liabilities:	
Due Within One Year	90,755
Due in More Than One Year	587,978
<i>Total Liabilities</i>	3,967,477
Net Position	
Net Investment in Capital Assets	5,884,105
Restricted for Debt Service	2,183
Restricted for Capital Outlay	20,415
Restricted for Street Maintenance and Repair	1,536,354
Restricted for Other Purposes	768,333
Unrestricted	1,411,259
<i>Total Net Position</i>	\$ 9,622,649

See accompanying notes to the basic financial statements.

City of New Franklin
Summit County, Ohio
Statement of Activities
For the Year Ended December 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
General Government	\$ 795,567	\$ 95,542	\$ 0	\$ (700,025)
Security of Persons and Property	3,976,792	470,235	147,931	(3,358,626)
Public Health	125,005	24,775	0	(100,230)
Leisure Time Services	68,137	33,176	428	(34,533)
Community Development	114,583	10,446	0	(104,137)
Transportation	1,025,669	0	766,578	(259,091)
Interest and Fiscal Charges	2,649	0	0	(2,649)
<i>Total Governmental Activities</i>	<u>\$ 6,108,402</u>	<u>\$ 634,174</u>	<u>\$ 914,937</u>	<u>(4,559,291)</u>
General Revenues:				
Property Taxes Levied for:				
				146,032
				352,436
				2,315,399
Income Taxes Levied for:				
				1,044,920
				42,312
				879,136
				9,648
				85,908
				<u>4,875,791</u>
				316,500
				<u>9,306,149</u>
				<u>\$ 9,622,649</u>

See accompanying notes to the basic financial statements.

City of New Franklin
Summit County, Ohio
Balance Sheet
Governmental Funds
December 31, 2012

	General	Street Maintenance and Repair	Police District	Fire District	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 637,494	\$ 1,369,102	\$ 130,237	\$ 238,347	\$ 879,065	\$ 3,254,245
Accounts Receivable	150,779	0	0	80	14,024	164,883
Accrued Interest Receivable	1,045	0	0	0	0	1,045
Intergovernmental Receivable	170,398	332,336	56,882	142,224	30,290	732,130
Taxes Receivable	517,822	363,415	731,202	1,715,681	19,461	3,347,581
<i>Total Assets</i>	<u>\$ 1,477,538</u>	<u>\$ 2,064,853</u>	<u>\$ 918,321</u>	<u>\$ 2,096,332</u>	<u>\$ 942,840</u>	<u>\$ 7,499,884</u>
Liabilities						
Accounts Payable	\$ 9,504	\$ 48,592	\$ 4,146	\$ 1,855	\$ 0	\$ 64,097
Accrued Wages	14,071	10,129	20,465	19,807	0	64,472
Intergovernmental Payable	19,798	13,903	63,817	134,717	0	232,235
Deferred Revenue	519,125	598,680	788,084	1,857,905	27,279	3,791,073
<i>Total Liabilities</i>	<u>562,498</u>	<u>671,304</u>	<u>876,512</u>	<u>2,014,284</u>	<u>27,279</u>	<u>4,151,877</u>
Fund Balances						
Restricted	0	1,393,549	41,809	82,048	774,216	2,291,622
Committed	0	0	0	0	141,345	141,345
Assigned	167,200	0	0	0	0	167,200
Unassigned	747,840	0	0	0	0	747,840
<i>Total Fund Balances</i>	<u>915,040</u>	<u>1,393,549</u>	<u>41,809</u>	<u>82,048</u>	<u>915,561</u>	<u>3,348,007</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,477,538</u>	<u>\$ 2,064,853</u>	<u>\$ 918,321</u>	<u>\$ 2,096,332</u>	<u>\$ 942,840</u>	<u>\$ 7,499,884</u>

See accompanying notes to the basic financial statements.

City of New Franklin
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2012

Total Governmental Fund Balances		\$ 3,348,007
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,913,863
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 88,196	
Income Tax	266,048	
Intergovernmental	566,670	
Total		920,914
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		118,598
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	(648,975)	
Capital Leases	(29,758)	
Total		(678,733)
<i>Net Position of Governmental Activities</i>		\$ 9,622,649

See accompanying notes to the basic financial statements.

City of New Franklin
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Street Maintenance and Repair	Police District	Fire District	All Other Governmental Funds	Total Governmental Funds
Revenues						
Local Taxes	\$ 1,095,941	\$ 352,964	\$ 688,225	\$ 1,630,830	\$ 31,728	\$ 3,799,688
Charges for Services	260,602	0	80,551	39,724	79,037	459,914
Licenses and Permits	109,096	0	0	45	0	109,141
Fines and Forfeitures	0	0	3,576	0	51,057	54,633
Intergovernmental	478,606	664,685	99,818	285,648	313,074	1,841,831
Interest	9,633	0	0	0	15	9,648
Rent	33,176	0	0	0	0	33,176
Contributions and Donations	428	0	1,533	1,050	5,571	8,582
Other	29,206	6,466	27,132	11,100	440	74,344
<i>Total Revenues</i>	<u>2,016,688</u>	<u>1,024,115</u>	<u>900,835</u>	<u>1,968,397</u>	<u>480,922</u>	<u>6,390,957</u>
Expenditures						
Current:						
General Government	791,567	0	0	0	388	791,955
Security of Persons and Property	356,662	0	1,490,709	1,997,904	2,423	3,847,698
Public Health	110,353	0	0	0	14,652	125,005
Leisure Time Services	49,224	0	0	0	16,284	65,508
Community Development	115,800	0	0	0	0	115,800
Transportation	73,797	733,253	0	0	110,297	917,347
Capital Outlay	64,727	0	96,694	24,955	166,317	352,693
Debt Service:						
Principal Retirement	0	0	0	28,465	0	28,465
Interest and Fiscal Charges	0	0	0	2,649	0	2,649
<i>Total Expenditures</i>	<u>1,562,130</u>	<u>733,253</u>	<u>1,587,403</u>	<u>2,053,973</u>	<u>310,361</u>	<u>6,247,120</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>454,558</u>	<u>290,862</u>	<u>(686,568)</u>	<u>(85,576)</u>	<u>170,561</u>	<u>143,837</u>
Other Financing Sources (Uses)						
Transfers In	0	0	700,000	150,000	0	850,000
Transfers Out	(700,000)	0	0	0	(150,000)	(850,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(700,000)</u>	<u>0</u>	<u>700,000</u>	<u>150,000</u>	<u>(150,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(245,442)</u>	<u>290,862</u>	<u>13,432</u>	<u>64,424</u>	<u>20,561</u>	<u>143,837</u>
<i>Fund Balance Beginning of Year</i>	<u>1,160,482</u>	<u>1,102,687</u>	<u>28,377</u>	<u>17,624</u>	<u>895,000</u>	<u>3,204,170</u>
<i>Fund Balance End of Year</i>	<u>\$ 915,040</u>	<u>\$ 1,393,549</u>	<u>\$ 41,809</u>	<u>\$ 82,048</u>	<u>\$ 915,561</u>	<u>\$ 3,348,007</u>

See accompanying notes to the basic financial statements.

**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, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$	143,837
 <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 additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 392,812	
Current Year Depreciation	<u>(388,725)</u>	4,087
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(5,721)	
Income Tax	106,193	
Intergovernmental	<u>(66,527)</u>	33,945
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Capital Lease		28,465
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		93,114
 Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>13,052</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>316,500</u></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 (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 690,910	\$ 854,883	\$ 920,543	\$ 65,660
Charges for Services	189,158	234,050	252,027	17,977
Licenses and Permits	81,913	101,353	109,138	7,785
Intergovernmental	381,564	472,119	514,374	42,255
Interest	8,632	10,680	11,501	821
Rent	8,199	10,145	4,931	(5,214)
<i>Total Revenues</i>	<u>1,360,376</u>	<u>1,683,230</u>	<u>1,812,514</u>	<u>129,284</u>
Expenditures				
Current:				
General Government	1,063,064	1,098,631	798,829	299,802
Security of Persons and Property	37,605	38,863	28,258	10,605
Public Health	145,964	150,847	109,683	41,164
Community Development	152,475	157,577	114,576	43,001
Transportation	106,183	109,735	79,790	29,945
Capital Outlay	85,385	88,242	64,162	24,080
<i>Total Expenditures</i>	<u>1,590,676</u>	<u>1,643,895</u>	<u>1,195,298</u>	<u>448,597</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(230,300)</u>	<u>39,335</u>	<u>617,216</u>	<u>577,881</u>
Other Financing Sources (Uses)				
Advances In	150,000	150,000	150,000	0
Transfers In	300,000	300,000	300,000	0
Transfers Out	(1,006,000)	(1,006,000)	(1,006,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(556,000)</u>	<u>(556,000)</u>	<u>(556,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(786,300)	(516,665)	61,216	577,881
<i>Fund Balance Beginning of Year</i>	352,833	352,833	352,833	0
Prior Year Encumbrances Appropriated	38,426	38,426	38,426	0
<i>Fund Balance End of Year</i>	<u>\$ (395,041)</u>	<u>\$ (125,406)</u>	<u>\$ 452,475</u>	<u>\$ 577,881</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 (Non-GAAP Basis) and Actual
Street Maintenance and Repair Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 142,042	\$ 344,848	\$ 352,964	\$ 8,116
Intergovernmental	279,926	679,600	695,594	15,994
Other	2,602	6,317	6,466	149
<i>Total Revenues</i>	<u>424,570</u>	<u>1,030,765</u>	<u>1,055,024</u>	<u>24,259</u>
Expenditures				
Current:				
Transportation	2,059,331	1,744,185	736,412	1,007,773
<i>Net Change in Fund Balance</i>	(1,634,761)	(713,420)	318,612	1,032,032
<i>Fund Balance Beginning of Year</i>	974,065	974,065	974,065	0
Prior Year Encumbrances Appropriated	42,531	42,531	42,531	0
<i>Fund Balance End of Year</i>	<u>\$ (618,165)</u>	<u>\$ 303,176</u>	<u>\$ 1,335,208</u>	<u>\$ 1,032,032</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 (Non-GAAP Basis) and Actual
Police District Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 732,212	\$ 693,750	\$ 688,225	\$ (5,525)
Charges for Services	85,699	81,198	80,551	(647)
Fines and Forfeitures	3,783	3,585	3,556	(29)
Intergovernmental	120,327	114,007	113,099	(908)
Contributions and Donations	1,631	1,545	1,533	(12)
Other	28,866	27,350	27,132	(218)
<i>Total Revenues</i>	<u>972,518</u>	<u>921,435</u>	<u>914,096</u>	<u>(7,339)</u>
Expenditures				
Current:				
Security of Persons and Property	1,545,697	1,584,600	1,464,525	120,075
Capital Outlay	102,053	104,622	96,694	7,928
<i>Total Expenditures</i>	<u>1,647,750</u>	<u>1,689,222</u>	<u>1,561,219</u>	<u>128,003</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(675,232)</u>	<u>(767,787)</u>	<u>(647,123)</u>	<u>120,664</u>
Other Financing Sources (Uses)				
Transfers In	700,000	700,000	700,000	0
<i>Net Change in Fund Balance</i>	24,768	(67,787)	52,877	120,664
<i>Fund Balance Beginning of Year</i>	<u>77,340</u>	<u>77,340</u>	<u>77,340</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 102,108</u>	<u>\$ 9,553</u>	<u>\$ 130,217</u>	<u>\$ 120,664</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 (Non-GAAP Basis) and Actual
Fire District Fund
For the Year Ended December 31, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Local Taxes	\$ 1,704,315	\$ 1,624,934	\$ 1,630,830	\$ 5,896
Charges for Services	41,514	39,580	39,724	144
Intergovernmental	298,519	284,615	285,648	1,033
Contributions and Donations	1,097	1,046	1,050	4
Other	11,564	11,025	11,065	40
<i>Total Revenues</i>	<u>2,057,009</u>	<u>1,961,200</u>	<u>1,968,317</u>	<u>7,117</u>
Expenditures				
Current:				
Security of Persons and Property	2,359,408	2,163,903	1,949,534	214,369
Capital Outlay	67,857	62,234	56,069	6,165
<i>Total Expenditures</i>	<u>2,427,265</u>	<u>2,226,137</u>	<u>2,005,603</u>	<u>220,534</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(370,256)</u>	<u>(264,937)</u>	<u>(37,286)</u>	<u>227,651</u>
Other Financing Sources (Uses)				
Transfers In	150,000	150,000	150,000	0
Advances Out	(150,000)	(150,000)	(150,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(370,256)	(264,937)	(37,286)	227,651
<i>Fund Balance Beginning of Year</i>	264,869	264,869	264,869	0
Prior Year Encumbrances Appropriated	10,765	10,765	10,765	0
<i>Fund Balance End of Year</i>	<u>\$ (94,622)</u>	<u>\$ 10,697</u>	<u>\$ 238,348</u>	<u>\$ 227,651</u>

See accompanying notes to the basic financial statements.

City of New Franklin
Summit County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Governmental Activities - Internal Service Fund
<hr style="border-top: 3px double #000;"/>	
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 165,032
Accounts Receivable	11,347
	<hr/>
<i>Total Assets</i>	176,379
	<hr/>
Liabilities	
<i>Current Liabilities:</i>	
Claims Payable	57,781
	<hr/>
<i>Total Liabilities</i>	57,781
	<hr/>
Net Position	
Unrestricted	118,598
	<hr/>
<i>Total Net Position</i>	\$ 118,598
	<hr style="border-top: 3px double #000;"/>

See accompanying notes to the basic financial statements.

City of New Franklin
Summit County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 868,841
<i>Total Operating Revenues</i>	<u>868,841</u>
Operating Expenses	
Contractual Services	32,135
Claims	743,592
<i>Total Operating Expenses</i>	<u>775,727</u>
<i>Change in Net Position</i>	93,114
<i>Net Position Beginning of Year</i>	<u>25,484</u>
<i>Net Position End of Year</i>	<u><u>\$ 118,598</u></u>

See accompanying notes to the basic financial statements.

City of New Franklin
Summit County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Governmental Activities - Internal Service Fund
	Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 858,058
Cash Payments for Goods and Services	(32,135)
Cash Payments for Claims	(864,786)
	(38,863)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>(38,863)</i>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(38,863)</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>203,895</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$ 165,032</i>
	165,032
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$ 93,114
Adjustments:	
(Increase) Decrease in Assets:	
Accounts Receivable	(10,783)
Increase (Decrease) in Liabilities:	
Claims Payable	(121,194)
	(131,977)
<i>Net Cash Provided by (Used For) Operating Activities</i>	<i>\$ (38,863)</i>
	(38,863)

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, 2012

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Basis of Presentation

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

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

Fund Accounting

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

Governmental Funds

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

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

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

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

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

Proprietary Fund Type 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.

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund is included on the statement of fund net 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.

Basis of Accounting

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

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue on modified accrual only. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

Budgetary Data

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

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

Estimated Resources – The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2012.

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

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

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 2012, investments included a repurchase agreement.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2012 amounted to \$9,633, which includes \$7,111, assigned from other City funds.

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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.

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 four thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are required to be depreciated except for land 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land and Construction in Progress	N/A
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 16 Years
Infrastructure	20 Years

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or 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 City Council. The City Council has by resolution authorized the Finance Director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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 used only to report a deficit 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 either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Net Position

Net position represents the difference between assets and liabilities. 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 when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues 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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses. Interfund transfers are eliminated when reported in the entity wide financial statements. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

Estimates

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

City of New Franklin
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Changes in Accounting Principles

For the year ended December 31, 2012, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, and GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the City.

Note 3 – Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General Fund	Street Maintenance and Repair Fund	Police District Fund	Fire District Fund	Other Governmental	Total
Restricted for:						
Street Improvement/Repair	\$ 0	\$ 1,393,549	\$ 0	\$ 0	\$ 561,660	\$ 1,955,209
Police and Fire Operations	0	0	41,809	82,048	0	123,857
Street Lighting	0	0	0	0	21,731	21,731
Drug Programs	0	0	0	0	51,246	51,246
Cemetery Operations	0	0	0	0	123,885	123,885
Other Purposes	0	0	0	0	15,694	15,694
Total Restricted	<u>0</u>	<u>1,393,549</u>	<u>41,809</u>	<u>82,048</u>	<u>774,216</u>	<u>2,291,622</u>
Committed for:						
Parks and Recreation	0	0	0	0	91,482	91,482
Fire Department Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>49,863</u>	<u>49,863</u>
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>141,345</u>	<u>141,345</u>
Assigned:						
Subsequent Year Appropriations	167,200	0	0	0	0	167,200
Unassigned	<u>747,840</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>747,840</u>
Total Fund Balance	<u>\$ 915,040</u>	<u>\$ 1,393,549</u>	<u>\$ 41,809</u>	<u>\$ 82,048</u>	<u>\$ 915,561</u>	<u>\$ 3,348,007</u>

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 City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreements must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and political subdivisions;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio and STAR Plus)
7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25 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.

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

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

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

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

Deposits: The carrying value of the City's deposits totaled \$1,347,595 and the bank balances of the deposits totaled \$1,449,204. Of the bank balance \$1,199,204 was covered by depository insurance; and \$250,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Deposits in interest-bearing accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a coverage limit of \$250,000 per financial institution through December 31, 2012. Insurance on deposits in noninterest-bearing accounts is unlimited through December 31, 2012. The City has both interest-bearing and noninterest-bearing accounts.

Beginning January 1, 2013, noninterest-bearing accounts will no longer be insured separately from the City’s other accounts at the same financial institution. Instead, noninterest-bearing and interest-bearing accounts will collectively be insured up to a coverage limit of \$250,000, at each separate financial institution.

Investments

Investments are reported at fair value. As of December 31, 2012, the City had the following investments:

Standard & Poor's	Investment	Fair Value	Investment Maturity Less than One Year	Total Investments
N/A *	Repurchase Agreement	\$ 2,071,682	\$ 2,071,682	100.00%

*Underlying securities exempt.

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

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

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

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

Note 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:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as assigned, committed or restricted fund balance (GAAP).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund, street maintenance and repair fund, police district fund and fire district fund.

	General**	Maintenance and Repair	Police District	Fire District
GAAP Basis	\$ (245,442)	\$ 290,862	\$ 13,432	\$ 64,424
Adjustments:				
Net adjustment for revenue accruals	125,882	30,909	13,261	(80)
Net adjustment for expenditure accruals	599,899	(37,052)	26,184	(101,630)
Funds Budgeted Elsewhere	(419,123)	0	0	0
Encumbrances	0	33,893	0	0
Budget Basis	<u>\$ 61,216</u>	<u>\$ 318,612</u>	<u>\$ 52,877</u>	<u>\$ (37,286)</u>

** As part of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, certain funds that are legally budgeted in separate special revenue funds are considered part of general fund on a gaap basis. This includes the income tax fund, the dispatch fund and the Franklin Park civic fund.

City of New Franklin
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Note 6 – Receivables

Receivables at December 31, 2012, consisted of taxes, interest, accounts, and intergovernmental receivables. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of the 2011 taxes.

2012 real property taxes were levied after October 1, 2012 on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 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, 2012, was \$14.65 per \$1,000 of assessed valuation. The assessed values of real property upon which 2012 property tax receipts were based are as follows:

	<u>Summit County</u>
Real Property	\$ 292,266,120
Public Utilities - Real	50,610
Public Utilities - Personal	11,953,940
Total Assessed Value	<u>\$ 304,270,670</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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

City of New Franklin
Summit County, Ohio
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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, 2012, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

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 2012 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 2012 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 2012, all costs of collecting the taxes and administering and enforcing the provisions were paid from the general fund.

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Local Government	\$ 157,953
Auto Registration	49,985
Permissive Tax	5,496
Gasoline Tax	271,874
Homestead and Rollback	241,511
Grants	5,311
Total	\$ 732,130

City of New Franklin
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For the Year Ended December 31, 2012

Taxes Receivable

A summary of taxes receivables follows:

	<u>Amount</u>
Governmental Activities:	
Real Estate and Personal Property Tax	\$ 2,958,355
Municipal Income Tax	389,226
Total	<u>\$ 3,347,581</u>

Note 7 – Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,250,118	\$ 49,649	\$ 0	\$ 1,299,767
Construction in progress	199,079	74,540	0	273,619
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,449,197</u>	<u>124,189</u>	<u>0</u>	<u>1,573,386</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	1,363,255	6,877	0	1,370,132
Furniture and Equipment	1,337,149	186,326	(39,499)	1,483,976
Vehicles	2,508,552	75,420	(23,000)	2,560,972
Infrastructure	1,675,175	0	0	1,675,175
<i>Total Capital Assets, Being Depreciated</i>	<u>6,884,131</u>	<u>268,623</u>	<u>(62,499)</u>	<u>7,090,255</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(280,946)	(36,894)	0	(317,840)
Furniture and Equipment	(710,770)	(85,205)	39,499	(756,476)
Vehicles	(1,325,938)	(209,902)	23,000	(1,512,840)
Infrastructure	(105,898)	(56,724)	0	(162,622)
<i>Total Accumulated Depreciation</i>	<u>(2,423,552)</u>	<u>(388,725)</u>	<u>62,499</u>	<u>(2,749,778)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>4,460,579</u>	<u>(120,102)</u>	<u>0</u>	<u>4,340,477</u>
<i>Total Governmental Activities Capital Assets, Net</i>	<u>\$ 5,909,776</u>	<u>\$ 4,087</u>	<u>\$ 0</u>	<u>\$ 5,913,863</u>

City of New Franklin
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Depreciation expense was charged to programs as follows:

General Government	\$ 19,970
Security of Persons and Property	219,502
Leisure Time Services	2,629
Transportation	146,624
Total	<u>\$ 388,725</u>

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2012, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively.

The City's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

City of New Franklin
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The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010, were \$150,448, \$154,606, and \$165,826, respectively. For 2012, 89.6 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$13,385 made by the City and \$9,560 made by the plan members.

B. Ohio Police and Fire Pension Fund (OP&F)

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

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$22,197 and \$77,399 for the year ended December 31, 2012, \$41,466 and \$153,237 for the year ended December 31, 2011, and \$19,632 and \$143,389 for the year ended December 31, 2010, respectively. 49.93 percent for police and 49.47 percent for firefighters has been contributed for 2012. The full amount has been contributed for 2011 and 2010.

Social Security System

As of December 31, 2012, certain members of Council have elected to be covered by Social Security rather than OPERS. The Council's liability is 6.2 percent of wages paid.

Note 9 – Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

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The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer’s contribution OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS’ Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$54,432, \$56,050 and \$80,717, respectively. For 2012, 89.6 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

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 SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund (OP&F)

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

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

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 healthcare 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 information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's 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 Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the 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 to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The 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 health care benefits for police and firefighters were \$11,751 and \$30,286 for the year ended December 31, 2012, \$21,952 and \$59,962 for the year ended December 31, 2011, and \$10,394 and \$56,109 for the year ended December 31, 2010. 49.93 percent has been contributed for police and 49.47 percent has been contributed for firefighters for 2012. The full amount has been contributed for 2011 and 2010.

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 10 – Long Term Obligations

Long term liability activity for the year ended December 31, 2012 was as follows:

	<u>Outstanding 1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 12/31/2012</u>	<u>Amounts Due In One Year</u>
<i>Long Term Obligations</i>					
Capital Leases	\$ 58,223	\$ 0	\$ 28,465	\$ 29,758	\$ 29,758
Compensated Absences	<u>662,027</u>	<u>84,566</u>	<u>97,618</u>	<u>648,975</u>	<u>60,997</u>
<i>Total Long Term Obligations</i>	<u>\$ 720,250</u>	<u>\$ 84,566</u>	<u>\$ 126,083</u>	<u>\$ 678,733</u>	<u>\$ 90,755</u>

The capital lease is paid from the fire district fund and compensated absences are paid from the general fund, street maintenance and repair fund, police district fund and the fire district fund.

Note 11 - Capitalized Leases

Capital lease obligations relate to equipment which is leased under a long-term agreement. These leases meet the criteria of a capital lease as defined under generally accepted accounting standards. Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the Fire District. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012.

	<u>Amount</u>
Year ending December 31, 2013	\$ 31,113
Less: amount representing interest at the City's incremental borrowing rate of interest	<u>(1,355)</u>
Present value of net minimum lease payments	<u>\$ 29,758</u>

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

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 12 – Risk Management

Property, Casualty and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2012, the City contracted with Ohio Municipal League Pooling Program for various types of insurance.

The City maintains comprehensive insurance coverage with independent third parties for real property, building, vehicle, general liability and professional liability insurance. There were no settled claims from these risks that have exceeded commercial insurance coverage for the past three years, nor has insurance coverage been significantly reduced in the past three years.

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

Medical

The City is self-insured for its medical insurance, dental insurance, prescription drug program, and life insurance. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During the period ending December 31, 2012, a total expense of \$775,727 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 \$57,781 reported in the fund at December 31, 2012 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 2012 and 2011 were:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2011	\$ 37,098	\$ 748,870	\$ 606,993	\$ 178,975
2012	178,975	743,592	864,786	57,781

Note 13 – Contingencies

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

City of New Franklin
Summit County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 14 - Jointly Governed Organization

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

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

Note 15 – Interfund Transfers

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

During 2012, the general fund transferred \$700,000 to the police district fund.

In 2011, the general fund advanced \$150,000 to the fire district fund. In 2012, City Council authorized the fire capital improvement fund to repay this advance on behalf of the fire district fund. Since the original interfund liability was reported in the fire district fund, a transfer is reported from the fire capital improvement fund to the fire district fund for financial purposes only. This allows the fire district fund to repay the advance, thus eliminating the liability.

Transfer To	Transfer From		Total
	General	Nonmajor Governmental	
Police District	\$ 700,000	\$ 0	\$ 700,000
Fire District	0	150,000	150,000
<i>Total</i>	\$ 700,000	\$ 150,000	\$ 850,000

Note 16 – Contractual Commitment

The City had the following contractual commitments outstanding at December 31, 2012:

Fund	Contractual Commitment	Expended	Balance Remaining
Rt. 619/93 Road Improvement Project	\$ 1,843,500	\$ 273,619	\$ 1,569,881



Dave Yost • Auditor of State

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

City of New Franklin
Summit County
5611 Manchester Road
Akron, Ohio 44319-4200

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Franklin, Summit County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City'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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 12, 2013

**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance

Ohio Rev. Code Section 5705.39 requires “the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.” In addition, the Ohio Rev. Code 5705.39 sets forth that “no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.”

The original and final appropriations exceeded estimated resources in the General Fund by \$395,041 and \$125,406, respectively. In addition, the original appropriations exceeded estimated resources in the Street Maintenance and Repair Fund by \$618,165 and in the Fire District Fund by \$94,622. Finally, the City did not obtain certification from the Summit County Fiscal Officer that total appropriations did not exceed the official estimate or amended estimate.

The Finance Director and Council should closely monitor appropriations and estimated resources to help ensure appropriations do not exceed estimated resources. In addition, the City should request such certification from the Summit County Fiscal Officer to help ensure compliance with the budgetary provisions of Ohio Revised Code section 5705.39.

Official’s Response: The Annual Appropriations submitted by the previous Finance Director and approved by Council exceeded the Certificate of Estimated Resources. This was discussed in finance meeting with Council and the Annual Appropriations were amended and adjusted so as not to exceed the Certificate of Estimated Resources (Final Amendment 5).

FINDING NUMBER 2012-002

Material Weakness - Bank Reconciliations and Review of Financial Reports

During fiscal year 2012, there were no accurate month-end bank reconciliations performed by the Finance Director for presentation to City Council. Bank reconciliations are performed as a means of accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the City's records at a specific point in time. The performance of accurate bank reconciliations is a necessary step in the internal control process over financial reporting.

The City contracted with an accounting firm to perform the monthly bank reconciliations throughout 2012. The following issues were noted during testing of the December 2012 year-end bank reconciliation:

- Seven checks totaling \$10,202 were improperly included in the outstanding check balance and deducted from the City's bank balance.

FINDING NUMBER 2012-002

- The net difference between the employer and employee share of FICA payments paid during 2012 totaling \$6,313 were incorrectly identified as reconciling items and were improperly deducted from the City's book balance.
- Four checks totaling \$629, which had previously been expensed by the City, were improperly deducted from the City's book balance as reconciling items.
- Payroll withholdings collected for the local school district income tax were properly included on the 2012 year-end outstanding check listing; however, \$924 of these withholdings were improperly deducted from the City's book balance as a reconciling item.
- The accounting firm was given the wrong year-end "Audit Trail Report" to prepare the City's December 2012 bank reconciliation. This report understated actual City expenditures by \$3,609.
- Eight checks included on the outstanding check listing were issued in fiscal year 2011 and were, therefore, stale dated checks.

As a result of the bank reconciliation errors noted above, an unreconciled difference of \$3,423 existed at year-end between the City's book and bank balance with the bank balance being greater. In addition, monthly financial reports (revenue, expense, budgetary, cash balances) for the first half of 2012 were not always submitted to Council on a timely basis for their review and approval.

The bank reconciliation process provides an independent verification of the accuracy of the accounting records and must be completed before preparing the financial statements. Performance of accurate bank reconciliations confirms the amount of money the City has available and are a necessary part of the internal controls of the City, particularly in terms of identifying recording errors and fraud. Bank reconciliations should be performed each month by the Finance Director and those reconciliations should be reviewed by a designated council member and signed off to indicate review and approval. In addition to monthly bank reconciliations, the Finance Director should provide City Council with timely monthly financial reports for their review and approval. The review and approval of both the monthly bank reconciliations and monthly financial reports should be documented in the Council minutes. Also, stale dated checks should be canceled, removed from the City's outstanding check listing and placed in an unclaimed monies fund. These procedures will help ensure City Council is properly monitoring the City's financial activity.

Finally, the City should take steps to eliminate the \$3,423 unreconciled difference by increasing the 2012 year-end book balance. The City should also make it a priority to complete the 2013 monthly bank reconciliations up to the current date. When completed, these bank reconciliations should be presented to Council for review and approval.

Official's Response: The Bank Reconciliations were completed by certified public accounting (CPA) firm in 2011 and 2012. Due to problems in the past, the CPA firm was unable to correctly reconcile the bank statements to the financial system book balance. It is unclear how far back this problem began. We request that the Auditor's Office assist us in determining the difference in order that we have a starting place to begin reconciling for 2013.

**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code Section 5705.10(H) At October 31, 2011 the City's Statement of Cash Position reflected negative fund balances in the Permissive Motor Vehicle Tax Fund of \$115,822 and in the Self-Insurance Fund of \$115,564.	Yes	Corrected.
2011-002	Ohio Rev. Code Section 5705.39 The original and final appropriations exceeded estimated resources in the Street Maintenance and Repair Fund by \$440,579 and \$554,807, respectively; the original appropriations exceeded estimated resources in the Police District Fund of \$700,623; and the City did not obtain certification from the Summit County Fiscal Officer that total appropriations did not exceed the official estimate or amended estimate.	No	See Finding 2012-001
2011-003	Material Weakness - Bank Reconciliations and Review of Financial Reports	No	See Finding 2012-002
2011-004	Significant Deficiency - Revenue Reporting	No	Partially corrected. See Management Letter

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CITY OF NEW FRANKLIN

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 10, 2013**