



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF NEW FRANKLIN
SUMMIT COUNTY
DECEMBER 31, 2021**

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**CITY OF NEW FRANKLIN
SUMMIT COUNTY
DECEMBER 31, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street Construction Maintenance and Repair, Police District, and Fire District funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 27, 2023

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The management's discussion and analysis of the City of New Franklin's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- The total net position of the City increased \$2,910,001 or 21.72% from December 31, 2020's net position.
- General revenues accounted for \$8,444,231 or 77.37% of total governmental activities revenue. Program specific revenues accounted for \$2,469,207 or 22.63% of total governmental activities revenue.
- The City had \$8,003,437 in expenses related to governmental activities; \$2,469,207 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,444,231.
- The general fund had revenues of \$4,599,895 in 2021. The expenditures and other financing uses of the general fund totaled \$4,969,570 in 2021. The net decrease in fund balance for the general fund was \$369,675 or 12.03%.
- The street construction maintenance and repair fund had revenues of \$1,702,669 in 2021. The expenditures of the street construction maintenance and repair fund totaled \$1,693,488 in 2021. The net increase in fund balance for the street construction maintenance and repair fund was \$9,181 or 0.99%.
- The police district fund had revenues and other financing sources of \$2,363,362 in 2021. The expenditures of the police district fund totaled \$2,514,241 in 2021. The net decrease in fund balance for the police district fund was \$150,879 or 23.69%.
- The fire district fund had revenues of \$2,529,472 in 2021. The expenditures of the fire district fund totaled \$2,398,930 in 2021. The net increase in fund balance for the fire district fund was \$130,542 or 15.00%.

Using this Annual Financial Report

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2021?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental funds, the general fund, street construction maintenance and repair fund, police district fund and fire district fund begins on page 12.

Governmental Funds

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street construction maintenance and repair fund, police district fund and fire district fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20 through 30 of this report.

Proprietary Funds

The City maintains one proprietary fund, an internal service fund. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund accounts for health self-insurance activities. The basic proprietary fund financial statements can be found on pages 31 through 33.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35 through 78 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability/asset and net OPEB liability/asset. The required supplementary information can be found on pages 80 through 95 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Government-Wide Financial Analysis

The table below provides a summary of the City's assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position at December 31, 2021 and 2020.

	Net Position	
	Governmental Activities 2021	Governmental Activities 2020
	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current and other assets	\$ 14,410,316	\$ 12,914,162
Capital assets	<u>16,282,583</u>	<u>14,402,805</u>
Total assets	<u>30,692,899</u>	<u>27,316,967</u>
<u>Deferred Outflows</u>	<u>2,097,237</u>	<u>2,307,032</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	8,646,668	10,367,196
Other liabilities	<u>1,421,530</u>	<u>671,820</u>
Total liabilities	<u>10,068,198</u>	<u>11,039,016</u>
<u>Deferred Inflows</u>	<u>6,414,598</u>	<u>5,187,644</u>
<u>Net Position</u>		
Investment in capital assets	15,909,201	14,402,805
Restricted	1,223,055	1,002,860
Unrestricted (deficit)	<u>(824,916)</u>	<u>(2,008,326)</u>
Total net position	<u>\$ 16,307,340</u>	<u>\$ 13,397,339</u>

On January 15, 2020, OPERS approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes along with changes in assumptions related to an increase in discount rate from 3.16% to 6.00% significantly decreased the total OPEB liability for the measurement date December 31, 2020.

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2021, the City's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$16,307,340.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 53.05% of total assets. Capital assets include land, easements, buildings and improvements, furniture and equipment, vehicles and infrastructure. The investment in capital assets at December 31, 2021, was \$15,909,201 in the governmental activities. These capital assets are used to provide services to citizens and are not available for future spending.

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

A portion of the City's net position, \$1,223,055, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance is a deficit unrestricted net position of (\$824,916).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The following table shows the changes in net position for 2021 and 2020.

	Change in Net Position	
	Governmental Activities 2021	Governmental Activities 2020
	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues:		
Charges for services	\$ 765,747	\$ 788,093
Operating grants and contributions	1,522,377	3,335,056
Capital grants and contributions	181,083	733,543
Total program revenues	<u>2,469,207</u>	<u>4,856,692</u>
General revenues:		
Municipal income taxes	3,648,474	2,897,184
Property taxes	4,294,839	3,197,084
Unrestricted grants and entitlements	484,476	1,006,761
Investment earnings	366	432
Miscellaneous	16,076	52,335
Total general revenues	<u>8,444,231</u>	<u>7,153,796</u>
Total revenues	<u>10,913,438</u>	<u>12,010,488</u>
Expenses		
General government	903,327	1,235,896
Security of persons and property	5,065,406	5,809,416
Public health	156,745	142,159
Leisure time services	148,091	184,475
Community development	100,945	127,501
Transportation	1,625,509	1,913,806
Interest and fiscal charges	3,414	-
Total expenses	<u>8,003,437</u>	<u>9,413,253</u>
Change in net position	<u>2,910,001</u>	<u>2,597,235</u>
Net position at beginning of year	<u>13,397,339</u>	<u>10,800,104</u>
Net position at end of year	<u>\$ 16,307,340</u>	<u>\$ 13,397,339</u>

Governmental Activities

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,065,406 of the total expenses of the City. These expenses were partially funded by \$363,887 in direct charges to users of the services, \$205,036 in operating grants and contributions, and 1,998 in capital grants and contributions. Transportation expenses totaled \$1,625,509. Transportation expenses were primarily funded by \$218,823 in charges for services, \$1,288,925 in operating grants and contributions and \$114,085 in capital grants and contributions. The large overall decrease in expenses was the result of a change made by the Ohio Public Employees Retirement System (OPERS).

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

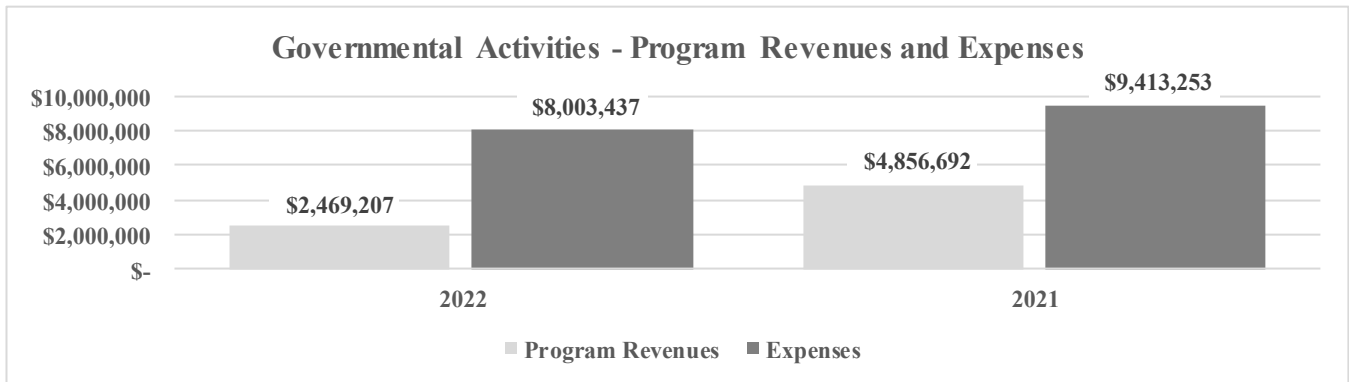
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

On January 15, 2020, OPERS approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes along with changes in assumptions related to an increase in discount rate from 3.16% to 6.00% significantly decreased the total OPEB liability for the measurement date December 31, 2020. This caused overall expense of the City to decrease from 2020 to 2021.

During 2021, the state and federal government contributed to the City a total of \$1,522,377 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$1,288,925 subsidized transportation programs and \$205,036 subsidized security of persons and property programs and \$28,416 subsidized leisure time activities. The decrease in operating grants and contributions is the result of City not receiving COVID money from Summit County compared to 2020.

General revenues totaled \$8,444,231 and amounted to 77.37% of total governmental revenues in 2021. These revenues primarily consist of property and municipal income tax revenue of \$7,943,313. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$484,476.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and municipal income taxes as well as unrestricted grants and entitlements to support its governmental activities.

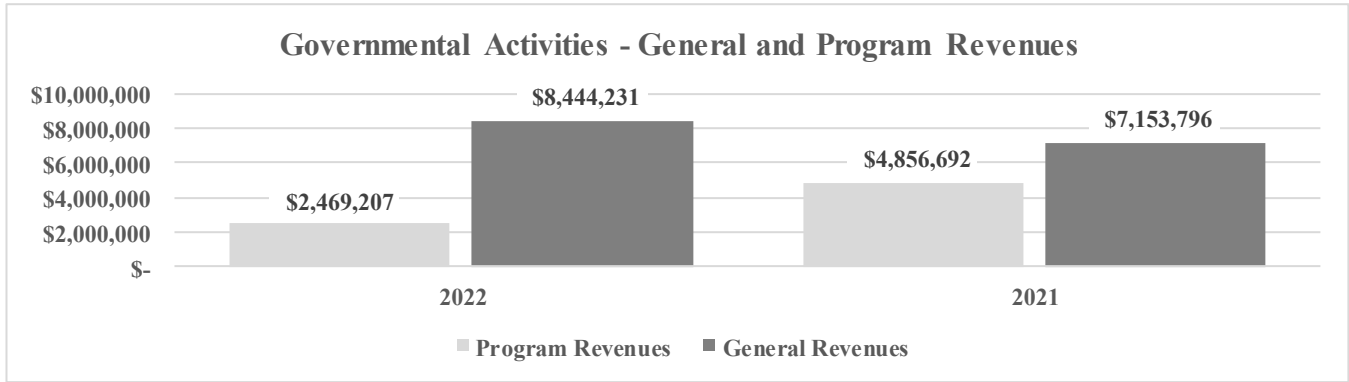


**CITY OF NEW FRANKLIN
SUMMIT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Governmental Activities			
	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 903,327	\$ 761,989	\$ 1,235,896	\$ 1,102,151
Security of persons and property	5,065,406	4,494,485	5,809,416	3,648,051
Public health	156,745	123,545	142,159	112,759
Leisure time services	148,091	46,176	184,475	(44,549)
Community development	100,945	100,945	127,501	127,501
Transportation	1,625,509	3,676	1,913,806	(389,352)
Interest and fiscal charges	3,414	3,414	-	-
Total	\$ 8,003,437	\$ 5,534,230	\$ 9,413,253	\$ 4,556,561

The dependence upon general revenues for governmental activities is apparent, with 94.77% of expenses supported through taxes and other general revenues for 2021.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$6,307,540 which is \$335,943 less than last year's total of \$6,643,483.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2021 and December 31, 2020 for all major and nonmajor governmental funds.

	Fund Balances 12/31/21	Fund Balances 12/31/20	Change
Major funds:			
General	\$ 2,703,644	\$ 3,073,319	\$ (369,675)
Street construction maintenance and repair	928,151	918,970	9,181
Police district	485,919	636,798	(150,879)
Fire district	1,000,584	870,042	130,542
Other nonmajor governmental funds	1,189,242	1,144,354	44,888
Total	<u>\$ 6,307,540</u>	<u>\$ 6,643,483</u>	<u>\$ (335,943)</u>

General Fund

The City's general fund balance decreased \$369,675. The table that follows assists in illustrating the revenues of the general fund. Revenues of the general fund increased \$649,897 due primarily to an increase in intergovernmental and taxes.

	2021 Amount	2020 Amount	Change	Percentage Change
Revenues				
Taxes	\$ 3,677,616	\$ 3,125,188	\$ 552,428	17.68 %
Charges for services	238,092	216,236	21,856	10.11 %
Licenses and permits	144,863	121,533	23,330	19.20 %
Intergovernmental	522,882	434,274	88,608	20.40 %
Interest	366	432	(66)	(15.28) %
Other	16,076	52,335	(36,259)	(69.28) %
Total	<u>\$ 4,599,895</u>	<u>\$ 3,949,998</u>	<u>\$ 649,897</u>	16.45 %

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

	2021 Amount	2020 Amount	Change	Percentage Change
Expenditures				
General government	\$ 1,104,597	\$ 1,029,559	\$ 75,038	7.29 %
Security of persons and property	720,688	445,912	274,776	61.62 %
Public health	129,275	117,747	11,528	9.79 %
Community development	128,927	111,294	17,633	15.84 %
Transportation	1,536,641	3,147	1,533,494	48,728.76 %
Capital outlay	24,442	23,203	1,239	5.34 %
Total	<u>\$ 3,644,570</u>	<u>\$ 1,730,862</u>	<u>\$ 1,913,708</u>	110.56 %

The most significant increase was in transportation and can be attributed primarily to the City spending more on street paving in the general fund as compared to the prior year. The increase in security of persons and property can be attributed to an increase in expenses related to the police and fire departments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Street Construction Maintenance and Repair Fund

The City's street construction maintenance and repair fund had revenues of \$1,702,669 in 2021. The expenditures of the street construction maintenance and repair fund totaled \$1,693,488 in 2021. The net increase in fund balance for the street construction maintenance and repair fund was \$9,181 or 0.99%. This increase is due to an increase in intergovernmental revenue.

Police District Fund

The police district fund had revenues and other financing sources of \$2,363,362 in 2021. The expenditures of the police district fund totaled \$2,514,241 in 2021. The net decrease in fund balance for the police district fund was \$150,879 or 23.69%. The decrease in fund balance is due to the increase in security of persons and property expenses.

Fire District Fund

The fire district fund had revenues of \$2,529,472 in 2021. The expenditures of the fire district fund totaled \$2,398,930 in 2021. The net increase in fund balance for the fire district fund was \$130,542 or 15.00%. The increase in fund balance is primarily due to an increase in property tax revenue.

Budgeting Highlights

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

In the general fund, the actual revenues and other financing sources of \$4,475,114 were higher than the final budget of \$3,633,199. Actual expenditures and other financing uses of \$5,110,550 were less than the amount in the final budget of \$5,590,902. Original budgeted revenues and other financing sources of \$3,565,872 were higher than the final budgeted revenues. Original budgeted expenditures and other financing uses of \$5,063,902 were \$527,000 lower than the final budgeted expenditures and other financing uses of \$5,590,902.

Capital Assets and Debt Administration

Capital Assets

At the end of 2021, the City had \$16,282,583 (net of accumulated depreciation) invested in land, easements, buildings and improvements, furniture and equipment, vehicles and infrastructure, which is an increase of \$1,590,173 from prior year. The following table shows December 31, 2021 balance compared to December 31, 2020:

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

	Governmental Activities	
	2021	2020
Land	\$ 1,896,187	\$ 1,816,187
Easements	51,264	51,264
Buildings and improvements	1,909,992	1,744,475
Furniture and equipment	1,279,092	853,156
Vehicles	630,947	623,690
Infrastructure	10,515,101	9,314,034
Totals	\$ 16,282,583	\$ 14,402,806

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The City's largest capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 64.57% of the City's total governmental capital assets. See Note 9 to the basic financial statements for detail on capital assets.

Debt Administration

At December 31, 2021, the City had no outstanding long-term obligations, other than a capital lease, compensated absences, net pension liability/asset and net OPEB liability. See Note 12 to the basic financial statements for detail on long-term obligations.

Contacting the City's Financial Management

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

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

STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 6,706,280
Equity in joint ventures	35,881
Receivables:	
Accounts	678,015
Due from other governments	841,051
Income taxes	1,012,935
Property taxes	4,678,634
Materials and supplies inventory	150,969
Prepayments	40,502
Net OPEB asset	230,038
Net pension asset	36,011
Capital assets:	
Nondepreciable capital assets	1,947,451
Depreciable capital assets, net	14,335,132
Total capital assets, net	16,282,583
Total assets	30,692,899
Deferred outflows of resources:	
Pension	1,433,946
OPEB	663,291
Total deferred outflows of resources	2,097,237
Liabilities:	
Accounts payable	38,748
Contracts payable	297,029
Accrued wages and benefits payable	105,974
Due to other governments	93,510
Claims payable	106,354
Unearned revenue	779,915
Long-term liabilities:	
Due within one year	183,823
Net pension liability	6,660,944
Net OPEB liability	733,575
Other amounts due in more than one year	1,068,326
Total liabilities	10,068,198
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	4,004,687
Pension	1,331,248
OPEB	1,078,663
Total deferred inflows of resources	6,414,598
Net position:	
Investment in capital assets	15,909,201
Restricted for:	
Debt service	2,183
Police and fire operations	20,896
Street construction and maintenance	1,036,842
Other purposes	163,134
Unrestricted (deficit)	(824,916)
Total net position	\$ 16,307,340

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Current:					
General government	\$ 903,327	\$ 141,338	\$ -	\$ -	\$ (761,989)
Security of persons and property	5,065,406	363,887	205,036	1,998	(4,494,485)
Public health	156,745	33,200	-	-	(123,545)
Leisure time services	148,091	8,499	28,416	65,000	(46,176)
Community development	100,945	-	-	-	(100,945)
Transportation	1,625,509	218,823	1,288,925	114,085	(3,676)
Interest and fiscal charges	3,414	-	-	-	(3,414)
Total governmental activities	8,003,437	765,747	1,522,377	181,083	(5,534,230)
General revenues:					
Property taxes levied for:					
General purposes					245,445
Street maintenance and repair					602,459
Police and fire operations					3,446,935
Income taxes levied for:					
General purposes					3,470,828
Other purposes					177,646
Grants and entitlements not restricted to specific programs					484,476
Investment earnings					366
Miscellaneous					16,076
Total general revenues					8,444,231
Change in net position					2,910,001
Net position at beginning of year					13,397,339
Net position at end of year					\$ 16,307,340

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Police District</u>	<u>Fire District</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,225,467	\$ 631,342	\$ 619,144	\$ 1,058,139
Receivables:				
Accounts	558,965	100	-	-
Due from other governments	201,339	512,752	44,761	44,108
Income taxes	963,756	-	-	-
Property taxes	263,379	646,478	771,800	2,996,977
Interfund loans	12,857	-	-	-
Loans receivable	4,096	-	-	-
Materials and supplies inventory	-	150,969	-	-
Prepayments	6,818	8,095	6,721	15,811
Total assets	<u>\$ 4,236,677</u>	<u>\$ 1,949,736</u>	<u>\$ 1,442,426</u>	<u>\$ 4,115,035</u>
Liabilities:				
Accounts payable	\$ 17,761	\$ 3,533	\$ 8,050	\$ 5,502
Contracts payable	297,029	-	-	-
Accrued wages and benefits payable	8,156	11,677	49,021	37,120
Compensated absences payable	-	-	59,357	-
Due to other governments	17,394	9,321	31,929	34,426
Interfund loans payable	-	-	-	-
Loans payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>340,340</u>	<u>24,531</u>	<u>148,357</u>	<u>77,048</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	220,855	542,099	671,097	2,570,636
Delinquent property tax revenue not available	42,524	104,379	100,703	426,341
Miscellaneous revenue not available	304,245	-	1,877	-
Income tax revenue not available	506,905	-	-	-
Nonexchange transactions not available	118,164	350,576	34,473	40,426
Total deferred inflows of resources	<u>1,192,693</u>	<u>997,054</u>	<u>808,150</u>	<u>3,037,403</u>
Fund balances:				
Nonspendable	10,914	159,064	6,721	15,811
Restricted	-	769,087	479,198	984,773
Committed	-	-	-	-
Assigned	1,412,955	-	-	-
Unassigned	1,279,775	-	-	-
Total fund balances	<u>2,703,644</u>	<u>928,151</u>	<u>485,919</u>	<u>1,000,584</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,236,677</u>	<u>\$ 1,949,736</u>	<u>\$ 1,442,426</u>	<u>\$ 4,115,035</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 1,934,751	\$ 6,468,843
115,508	674,573
38,091	841,051
49,179	1,012,935
-	4,678,634
-	12,857
-	4,096
-	150,969
3,057	40,502
<u>\$ 2,140,586</u>	<u>\$ 13,884,460</u>
\$ 3,902	\$ 38,748
-	297,029
-	105,974
-	59,357
440	93,510
12,857	12,857
4,096	4,096
779,915	779,915
<u>801,210</u>	<u>1,391,486</u>
-	4,004,687
-	673,947
101,415	407,537
23,208	530,113
25,511	569,150
<u>150,134</u>	<u>6,185,434</u>
3,057	195,567
789,513	3,022,571
396,672	396,672
-	1,412,955
-	1,279,775
<u>1,189,242</u>	<u>6,307,540</u>
<u>\$ 2,140,586</u>	<u>\$ 13,884,460</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Total governmental fund balances	\$	6,307,540
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,282,583
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 530,113	
Property taxes receivable	673,947	
Accounts receivable	407,537	
Intergovernmental receivable	569,150	
Total	2,180,747	2,180,747
The net pension asset/liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	36,011	
Deferred outflows of resources	1,433,946	
Deferred inflows of resources	(1,331,248)	
Net pension liability	(6,660,944)	
Total	(6,522,235)	(6,522,235)
The net OPEB asset/liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset/liability and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB asset	230,038	
Deferred outflows of resources	663,291	
Deferred inflows of resources	(1,078,663)	
Net OPEB liability	(733,575)	
Total	(918,909)	(918,909)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		134,525
The equity interest in the South Summit COG is not a financial resource and therefore is not reported in funds.		35,881
Long-term liabilities, including compensated absences and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Capital leases	(76,353)	
Compensated absences	(1,116,439)	
	(1,192,792)	
Net position of governmental activities	\$	16,307,340

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Police District</u>	<u>Fire District</u>
Revenues:				
Property taxes	\$ 209,963	\$ 515,364	\$ 605,300	\$ 2,408,287
Income taxes	3,467,653	-	-	-
Charges for services	238,092	-	180,000	1,406
Licenses and permits	144,863	-	-	-
Fines and forfeitures	-	-	1,754	-
Intergovernmental	522,882	1,166,561	76,946	117,307
Interest	366	244	609	812
Contributions and donations	-	-	5,001	100
Other	16,076	20,500	74,956	1,560
Total revenues	<u>4,599,895</u>	<u>1,702,669</u>	<u>944,566</u>	<u>2,529,472</u>
Expenditures:				
Current:				
General government	1,104,597	-	-	-
Security of persons and property	720,688	-	2,259,249	2,378,829
Public health	129,275	-	-	-
Leisure time services	-	-	-	-
Community development	128,927	-	-	-
Transportation	1,536,641	1,693,488	-	-
Capital outlay	24,442	-	234,135	20,101
Debt service:				
Principal retirement	-	-	17,443	-
Interest and fiscal charges	-	-	3,414	-
Total expenditures	<u>3,644,570</u>	<u>1,693,488</u>	<u>2,514,241</u>	<u>2,398,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>955,325</u>	<u>9,181</u>	<u>(1,569,675)</u>	<u>130,542</u>
Other financing sources (uses):				
Capital lease transaction	-	-	93,796	-
Transfers in	-	-	1,325,000	-
Transfers (out)	(1,325,000)	-	-	-
Total other financing sources (uses)	<u>(1,325,000)</u>	<u>-</u>	<u>1,418,796</u>	<u>-</u>
Net change in fund balances	(369,675)	9,181	(150,879)	130,542
Fund balances at beginning of year	<u>3,073,319</u>	<u>918,970</u>	<u>636,798</u>	<u>870,042</u>
Fund balances at end of year	<u>\$ 2,703,644</u>	<u>\$ 928,151</u>	<u>\$ 485,919</u>	<u>\$ 1,000,584</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,738,914
175,962	3,643,615
141,705	561,203
-	144,863
495	2,249
413,162	2,296,858
39	2,070
1,085	6,186
29,329	142,421
<u>761,777</u>	<u>10,538,379</u>
33,725	1,138,322
37,114	5,395,880
21,902	151,177
182,582	182,582
-	128,927
180,312	3,410,441
261,254	539,932
-	17,443
-	3,414
<u>716,889</u>	<u>10,968,118</u>
<u>44,888</u>	<u>(429,739)</u>
-	93,796
-	1,325,000
-	(1,325,000)
<u>-</u>	<u>93,796</u>
44,888	(335,943)
1,144,354	6,643,483
<u>\$ 1,189,242</u>	<u>\$ 6,307,540</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds	\$	(335,943)
<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.		
Capital asset additions	\$ 2,869,682	
Current year depreciation	<u>(1,054,905)</u>	
Total		1,814,777
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net position. The City received \$65,000 in capital contributions during the year.		
		65,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	4,859	
Property taxes	555,925	
Charges for service	80,226	
Intergovernmental revenues	(295,208)	
Other	<u>(35,743)</u>	
Total		310,059
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		17,443
The issuance of a capital lease is recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement of net assets.		
		(93,796)
The equity interest in the South Summit COG is not a financial resource and therefore is not reported in funds.		
		35,881
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		600,545
OPEB		11,264
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension		(669,220)
OPEB		1,261,504
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		2,505
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		
		<u>(110,018)</u>
Change in net position of governmental activities	\$	<u>2,910,001</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 205,655	\$ 209,538	\$ 209,963	\$ 425
Income taxes	2,453,672	2,500,000	3,308,179	808,179
Charges for services	243,650	248,250	225,989	(22,261)
Licenses and permits	125,334	127,700	122,862	(4,838)
Intergovernmental	432,986	441,161	514,358	73,197
Interest	981	1,000	366	(634)
Contributions and donations	49	50	-	(50)
Other	24,537	25,000	12,894	(12,106)
Total revenues	<u>3,486,864</u>	<u>3,552,699</u>	<u>4,394,611</u>	<u>841,912</u>
Expenditures:				
Current:				
General government	1,156,506	1,292,079	1,017,865	274,214
Security of persons and property	25,879	28,913	13,711	15,202
Public health	119,480	133,486	129,275	4,211
Community development	146,584	163,768	130,470	33,298
Transportation	1,666,724	1,862,108	1,786,930	75,178
Capital outlay	58,670	65,548	24,442	41,106
Total expenditures	<u>3,173,843</u>	<u>3,545,902</u>	<u>3,102,693</u>	<u>443,209</u>
Excess of revenues over expenditures	<u>313,021</u>	<u>6,797</u>	<u>1,291,918</u>	<u>1,285,121</u>
Other financing sources (uses):				
Advances in	79,008	80,500	80,503	3
Advances (out)	(46,212)	(50,000)	(12,857)	37,143
Transfers (out)	(1,843,847)	(1,995,000)	(1,995,000)	-
Total other financing sources (uses)	<u>(1,811,051)</u>	<u>(1,964,500)</u>	<u>(1,927,354)</u>	<u>37,146</u>
Net change in fund balances	(1,498,030)	(1,957,703)	(635,436)	1,322,267
Fund balances at beginning of year	2,109,038	2,109,038	2,109,038	-
Prior year encumbrances appropriated	13,977	13,977	13,977	-
Fund balance at end of year	<u>\$ 624,985</u>	<u>\$ 165,312</u>	<u>\$ 1,487,579</u>	<u>\$ 1,322,267</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 528,276	\$ 515,000	\$ 515,364	\$ 364
Intergovernmental	938,102	914,530	1,136,641	222,111
Interest	205	200	244	44
Other	7,180	7,000	26,228	19,228
Total revenues	<u>1,473,763</u>	<u>1,436,730</u>	<u>1,678,477</u>	<u>241,747</u>
Expenditures:				
Current:				
Transportation	2,295,708	2,295,708	1,913,123	382,585
Total expenditures	<u>2,295,708</u>	<u>2,295,708</u>	<u>1,913,123</u>	<u>382,585</u>
Net change in fund balances	(821,945)	(858,978)	(234,646)	624,332
Fund balances at beginning of year	824,884	824,884	824,884	-
Prior year encumbrances appropriated	41,104	41,104	41,104	-
Fund balance at end of year	<u>\$ 44,043</u>	<u>\$ 7,010</u>	<u>\$ 631,342</u>	<u>\$ 624,332</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 627,248	\$ 604,708	\$ 605,300	\$ 592
Charges for services	164,927	159,000	180,000	21,000
Fines and forfeitures	519	500	1,568	1,068
Intergovernmental	71,572	69,000	76,946	7,946
Interest	519	500	609	109
Contributions and donations	-	-	5,001	5,001
Other	5,186	5,000	71,919	66,919
Total revenues	<u>869,971</u>	<u>838,708</u>	<u>941,343</u>	<u>102,635</u>
Expenditures:				
Current:				
Security of persons and property	2,414,780	2,433,860	2,249,173	184,687
Capital outlay	244,936	225,856	142,337	83,519
Total expenditures	<u>2,659,716</u>	<u>2,659,716</u>	<u>2,391,510</u>	<u>268,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,789,745)</u>	<u>(1,821,008)</u>	<u>(1,450,167)</u>	<u>370,841</u>
Other financing sources:				
Transfers in	1,504,048	1,450,000	1,325,000	(125,000)
Total other financing sources	<u>1,504,048</u>	<u>1,450,000</u>	<u>1,325,000</u>	<u>(125,000)</u>
Net change in fund balances	(285,697)	(371,008)	(125,167)	245,841
Fund balances at beginning of year	721,457	721,457	721,457	-
Prior year encumbrances appropriated	20,856	20,856	20,856	-
Fund balance at end of year	<u>\$ 456,616</u>	<u>\$ 371,305</u>	<u>\$ 617,146</u>	<u>\$ 245,841</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 2,605,712	\$ 2,406,530	\$ 2,408,287	\$ 1,757
Charges for services	1,841	1,700	1,406	(294)
Intergovernmental	108,818	100,500	116,373	15,873
Interest	1,083	1,000	812	(188)
Contributions and donations	325	300	100	(200)
Other	18,407	17,000	1,560	(15,440)
Total revenues	<u>2,736,186</u>	<u>2,527,030</u>	<u>2,528,538</u>	<u>1,508</u>
Expenditures:				
Current:				
Security of persons and property	2,696,500	2,696,500	2,440,974	255,526
Capital outlay	30,000	30,000	20,101	9,899
Total expenditures	<u>2,726,500</u>	<u>2,726,500</u>	<u>2,461,075</u>	<u>265,425</u>
Net change in fund balances	9,686	(199,470)	67,463	266,933
Fund balances at beginning of year	<u>990,676</u>	<u>990,676</u>	<u>990,676</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,000,362</u>	<u>\$ 791,206</u>	<u>\$ 1,058,139</u>	<u>\$ 266,933</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2021

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 237,437
Accounts receivable	3,442
	<hr/>
Total assets	240,879
	<hr/>
Liabilities:	
Claims payable	106,354
	<hr/>
Total liabilities	106,354
	<hr/>
Net position:	
Unrestricted	134,525
	<hr/>
Total net position	\$ 134,525
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	<u>\$ 1,032,424</u>
Operating expenses:	
Claims expense	<u>1,142,442</u>
Total operating expenses	<u>1,142,442</u>
Change in net position	(110,018)
Net position at beginning of year	<u>244,543</u>
Net position at end of year	<u><u>\$ 134,525</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,028,982
Cash payments for claims	<u>(1,108,001)</u>
Net cash used in operating activities	<u>(79,019)</u>
Net decrease in cash and cash equivalents	(79,019)
Cash and cash equivalents at beginning of year	316,456
Cash and cash equivalents at end of year	<u><u>\$ 237,437</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (110,018)
Changes in assets and liabilities:	
Accounts receivable	(3,442)
Claims payable	<u>34,441</u>
Net cash used in operating activities	<u><u>\$ (79,019)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police protection, firefighting and prevention, street construction maintenance and repairs, building inspection, and 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, one jointly governed organization, and one joint venture with equity interest. These organizations are the Public Entities Pool of Ohio (PEP), the Regional Council of Governments, and the South Summit Council of Governments. These are presented in Note 13, 15 and 16 to the basic financial statements.

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

B. Basis of Presentation - Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

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

C. Fund Accounting

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

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

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

Street construction maintenance and repair fund - The street construction maintenance and repair special revenue fund accounts for financial resources whose use is restricted to constructing, maintaining and repairing roads and bridges.

Police district fund - The police district special revenue fund accounts for financial resources whose use is restricted to police department expenditures. These resources are primarily generated through two special tax levies and general fund transfers.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Fire district fund - The fire district special revenue fund accounts for financial resources whose use is restricted to fire department expenditures. These resources are primarily generated through two special tax levies.

Other governmental funds of the City are used to account for: (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets; (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects; and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City does not have any fiduciary funds.

D. Measurement Focus

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

E. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

Unearned Revenues - The City defers revenue recognition in connection with resources that have been received, but not earned. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. Unearned revenue consists primarily of American Rescue Plan Act (ARPA) funding.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Notes 10 and 11 for deferred outflows of resources related to the City's net pension liability/asset and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance 2022 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

For the City, see Notes 10 and 11 for deferred inflows of resources related to the City's net pension liability/asset and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

F. Budgetary Data

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

G. Alternative Tax Budget

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

H. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

I. Appropriations

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

J. Lapsing of Appropriations

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

K. Cash and Cash Equivalents

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

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 2021 amounted to \$366.

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

L. Inventories of Materials and Supplies

On the government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

M. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

N. 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 acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. 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 easements. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land, Construction in Progress and Easements	N/A
Buildings and Improvements	15 - 50 Years
Furniture and Equipment	5 - 25 Years
Vehicles	5 - 16 Years
Infrastructure	20 Years

O. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". Receivables and payables resulting from long-term amounts due between funds are classified as "loans receivable/payable". These amounts are eliminated in the statement of net position.

P. Compensated Absences

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Q. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

R. Fund Balance

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

S. Net Position

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

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

T. 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.

U. 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.

V. 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 2021.

W. Estimates

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

X. Pensions/Other Postemployment Benefits (OPEB)

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

Y. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2021, the City has implemented GASB Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period.”

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the City.

For 2021, the City has applied GASB Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance” to GASB Statement Nos. 91, 92 and 93, which were originally due to be implemented in 2021 and to GASB Statement No. 87, which was originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncements are postponed by one year and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The following pronouncements are postponed by eighteen months and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

A. Deposits with Financial Institutions

At December 31, 2021, the carrying amount of all City deposits was \$6,706,279 and the bank balance of all City deposits was \$7,086,404. Of the bank balance, \$500,000 was covered by the FDIC, \$5,240,997 was covered by the Ohio Pooled Collateral System, and \$1,345,407 was exposed to custodial credit risk as described below.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	<u>\$ 6,706,280</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 6,706,280</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 Balance - Budget and Actual (Non-GAAP Basis) 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 construction maintenance and repair fund, police district fund and fire district fund.

	<u>Net Change in Fund Balance</u>			
	<u>General Fund</u>	Street Construction Maintenance and <u>Repair Fund</u>	Police <u>District Fund</u>	Fire <u>District Fund</u>
Budget basis	\$ (635,436)	\$ (234,646)	\$ (125,167)	\$ 67,463
Net adjustment for revenue accruals	93,500	24,192	3,223	934
Net adjustment for expenditure accruals	(273,936)	219,635	(124,729)	62,145
Net adjustment for other sources/uses	(67,646)	-	93,796	-
Funds budgeted elsewhere	(33,389)	-	-	-
Adjustment for encumbrances	<u>547,232</u>	<u>-</u>	<u>1,998</u>	<u>-</u>
GAAP basis	<u>\$ (369,675)</u>	<u>\$ 9,181</u>	<u>\$ (150,879)</u>	<u>\$ 130,542</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - RECEIVABLES

Receivables at December 31, 2021, consisted of accounts (billings for user charged services), intergovernmental receivables arising from grants, entitlements and shared revenue, income taxes and property taxes. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2021.

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

Governmental activities:

Accounts	\$ 678,015
Due from other governments	841,051
Income taxes	1,012,935
Property taxes	4,678,634

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

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2021 for real and public utility property taxes represents collections of the 2020 taxes.

2021 real property taxes were levied after October 1, 2021 on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022 operations.

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. 2021 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 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 were 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, 2021, was \$12.15 per \$1,000 of assessed valuation. The assessed values of real property upon which 2021 property tax receipts were based are as follows:

Real property	\$ 375,051,330
Public utilities - real	65,260
Public utilities - personal	<u>87,002,880</u>
Total assessed value	<u>\$ 462,119,470</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - PROPERTY TAXES - (Continued)

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

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts within the County, including the City of New Franklin. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2021, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2021 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

NOTE 8 - INCOME TAXES

The City levies a municipal income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. During 2021, the income tax rate was 2 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 2 percent rate for 2021 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 2022 using the 2 percent rate.

All residents, 18 years of age and over, working outside the City are subject to the 2 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 2 percent.

Income tax revenues are allocated based on City ordinance. The parks and recreation fund, a nonmajor governmental fund, receives 5 percent of the collections and the balance goes to the general fund. In 2021, all costs of collecting the taxes and administering and enforcing the provisions were paid from the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/20</u>	Additions	Disposals	Balance <u>12/31/21</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,816,187	\$ 80,000	\$ -	\$ 1,896,187
Easements	<u>51,264</u>	<u>-</u>	<u>-</u>	<u>51,264</u>
Total capital assets, not being depreciated	<u>1,867,451</u>	<u>80,000</u>	<u>-</u>	<u>1,947,451</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	2,476,436	246,032	-	2,722,468
Furniture and equipment	2,232,262	572,602	-	2,804,864
Vehicles	3,113,729	163,366	-	3,277,095
Infrastructure	<u>12,496,014</u>	<u>1,872,683</u>	<u>-</u>	<u>14,368,697</u>
Total capital assets, being depreciated	<u>20,318,441</u>	<u>2,854,683</u>	<u>-</u>	<u>23,173,124</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(731,962)	(80,514)	-	(812,476)
Furniture and equipment	(1,379,106)	(146,666)	-	(1,525,772)
Vehicles	(2,490,039)	(156,109)	-	(2,646,148)
Infrastructure	<u>(3,181,980)</u>	<u>(671,616)</u>	<u>-</u>	<u>(3,853,596)</u>
Total accumulated depreciation	<u>(7,783,087)</u>	<u>(1,054,905)</u>	<u>-</u>	<u>(8,837,992)</u>
Total capital assets, being depreciated, net	<u>12,535,354</u>	<u>1,799,778</u>	<u>-</u>	<u>14,335,132</u>
Governmental activities capital assets, net	<u>\$ 14,402,805</u>	<u>\$ 1,879,778</u>	<u>\$ -</u>	<u>\$ 16,282,583</u>

Depreciation expense was charged to programs as follows:

Governmental activities:

General government	\$ 41,923
Security of persons and property	198,724
Public health and welfare	5,568
Transportation	797,217
Community environment	4,748
Leisure time activity	<u>6,725</u>
Total depreciation expense - governmental activities	<u>\$ 1,054,905</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability/Asset

Pensions and OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

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

The remainder of this note includes the pension disclosures. See Note 11 for the OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. 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 plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	State and Local	Law Enforcement
2021 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee *	10.0 %	**
2021 Actual Contribution Rates		
Employer:		
Pension	14.0 %	18.1 %
Post-employment Health Care Benefits ***	0.0 %	0.0 %
Total Employer	14.0 %	18.1 %
Employee	10.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

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

*** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$211,475 for 2021. Of this amount, \$23,277 is reported as due to other governments.

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

	<u>Police</u>	<u>Firefighters</u>
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$389,070 for 2021. Of this amount, \$44,527 is reported as due to other governments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The net pension liability and net pension asset for OPERS was measured as of December 31, 2020, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.01236300%	0.01104000%	0.00870200%	0.06632230%	
Proportion of the net pension liability/asset current measurement date	<u>0.01310800%</u>	<u>0.01189500%</u>	<u>0.00918400%</u>	<u>0.06923680%</u>	
Change in proportionate share	<u>0.00074500%</u>	<u>0.00085500%</u>	<u>0.00048200%</u>	<u>0.00291450%</u>	
Proportionate share of the net pension liability	\$ 1,941,009	\$ -	\$ -	\$ 4,719,935	\$ 6,660,944
Proportionate share of the net pension asset	-	(34,337)	(1,674)	-	(36,011)
Pension expense	218,187	810	(1,201)	451,424	669,220

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ -	\$ -	\$ 1,150	\$ 197,310	\$ 198,460
Changes of assumptions	-	2,146	49	79,157	81,352
Changes in employer's proportionate percentage/difference between employer contributions	175,372	-	-	378,217	553,589
Contributions subsequent to the measurement date	198,362	7,524	5,589	389,070	600,545
Total deferred outflows of resources	<u>\$ 373,734</u>	<u>\$ 9,670</u>	<u>\$ 6,788</u>	<u>\$ 1,043,754</u>	<u>\$ 1,433,946</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ 81,194	\$ 6,475	\$ -	\$ 183,874	\$ 271,543
Net difference between projected and actual earnings on pension plan investments	756,545	5,107	183	228,946	990,781
Changes in employer's proportionate percentage/difference between employer contributions	-	-	-	68,924	68,924
Total deferred inflows of resources	<u>\$ 837,739</u>	<u>\$ 11,582</u>	<u>\$ 183</u>	<u>\$ 481,744</u>	<u>\$ 1,331,248</u>

\$600,545 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2022	\$ (184,402)	\$ (2,462)	\$ 128	\$ 86,826	\$ (99,910)
2023	(66,391)	(1,563)	155	150,830	83,031
2024	(308,392)	(2,741)	118	(130,890)	(441,905)
2025	(103,182)	(1,273)	134	35,445	(68,876)
2026	-	(539)	141	30,729	30,331
Thereafter	-	(858)	340	-	(518)
Total	\$ (662,367)	\$ (9,436)	\$ 1,016	\$ 172,940	\$ (497,847)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 0.50%, simple through 2021, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2.15% simple.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.70% for 2020.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.00 %	1.32 %
Domestic equities	21.00	5.64
Real estate	10.00	5.39
Private equity	12.00	10.42
International equities	23.00	7.36
Other investments	9.00	4.75
Total	100.00 %	5.43 %

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2020 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 3,702,486	\$ 1,941,009	\$ 476,345
Combined Plan	(23,909)	(34,337)	(42,108)
Member-Directed Plan	(1,469)	(1,674)	(1,837)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below.

Valuation date	1/1/20 with actuarial liabilities rolled forward to 12/31/20
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability	\$ 6,570,754	\$ 4,719,935	\$ 3,170,986

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 10 for a description of the net OPEB liability/asset.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$2,235 for 2021. Of this amount, \$230 is reported as due to other governments

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

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

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$9,029 for 2021. Of this amount, \$1,033 is reported as due to other governments.

Net OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.01217500%	0.06632230%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.01291200%</u>	<u>0.06923680%</u>	
Change in proportionate share	<u>0.00073700%</u>	<u>0.00291450%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 733,575	\$ 733,575
Proportionate share of the net OPEB asset	(230,038)	-	(230,038)
OPEB expense	(1,305,644)	44,140	(1,261,504)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Changes of assumptions	\$ 113,089	\$ 405,261	\$ 518,350
Changes in employer's proportionate percentage/difference between employer contributions	99,966	33,711	133,677
Contributions subsequent to the measurement date	2,235	9,029	11,264
Total deferred outflows of resources	<u>\$ 215,290</u>	<u>\$ 448,001</u>	<u>\$ 663,291</u>

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**CITY OF NEW FRANKLIN
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	OPERS	OP&F	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ 207,610	\$ 121,000	\$ 328,610
Net difference between projected and actual earnings on OPEB plan investments	122,519	27,259	149,778
Changes of assumptions	372,730	116,947	489,677
Changes in employer's proportionate percentage/ difference between employer contributions	166	110,432	110,598
Total deferred inflows of resources	<u>\$ 703,025</u>	<u>\$ 375,638</u>	<u>\$ 1,078,663</u>

\$11,264 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022.

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

	OPERS	OP&F	Total
Year Ending December 31:			
2022	\$ (232,015)	\$ 5,444	\$ (226,571)
2023	(190,277)	11,898	(178,379)
2024	(53,242)	1,723	(51,519)
2025	(14,436)	8,958	(5,478)
2026	-	17,042	17,042
Thereafter	-	18,269	18,269
Total	<u>\$ (489,970)</u>	<u>\$ 63,334</u>	<u>\$ (426,636)</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate	
Current measurement date	8.50% initial, 3.50% ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
Actuarial Cost Method	Individual Entry Age Normal

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

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

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 10.50% for 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	<u>4.43 %</u>

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Change in Benefit Terms - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB asset	\$ 57,200	\$ 230,038	\$ 372,124

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 235,644	\$ 230,038	\$ 223,765

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple per year

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

Note: assumptions are geometric.

* levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12% at December 31, 2020 and 2.75% at December 31, 2019, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96%), or one percentage point higher (3.96%) than the current rate.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 914,726	\$ 733,575	\$ 584,147

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

NOTE 12 - LONG-TERM OBLIGATIONS

During 2021, the following activity occurred in governmental activities long-term obligations.

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21	Amounts Due in One Year
Governmental activities:					
Capital lease	\$ -	\$ 93,796	\$ (17,443)	\$ 76,353	\$ 18,077
Net pension liability	6,911,455	252,111	(502,622)	6,660,944	-
Net OPEB liability	2,336,798	78,461	(1,681,684)	733,575	-
Compensated absences	1,118,943	127,382	(70,529)	1,175,796	165,746
Total governmental activities long-term obligations	\$ 10,367,196	\$ 551,750	\$ (2,272,278)	\$ 8,646,668	\$ 183,823

Capital lease obligation: During 2021, the City entered into a lease agreement for the acquisition of portable radios. Lease payments in 2021 consisted of principal retirement of \$17,443 and interest of \$3,414.

Capital assets consisting of equipment have been capitalized in the amount of \$93,796. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2021 for the equipment was \$4,690, leaving a current book value of \$89,106. A corresponding liability is recorded in the government-wide financial statements.

Net pension liability and net OPEB liability: See Notes 10 and 11 for details.

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

Future debt service requirements: The following is a summary of the City's future principal and interest requirements for the capital lease obligation.

Year Ending December 31,	Capital Lease Obligation	
	Principal	Interest
2022	\$ 18,077	\$ 2,779
2023	18,735	2,121
2024	19,417	1,439
2025	20,124	732
Total	\$ 76,353	\$ 7,071

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - RISK MANAGEMENT

The City is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the City's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2021
Assets	\$ 41,996,850
Liabilities	14,974,099
Net Position	\$ 27,022,751

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

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

Medical

The City is self-insured for its medical insurance, dental insurance, prescription drug program, and life insurance. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During the period ending December 31, 2021, a total expense of \$1,142,442 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 \$106,354 reported in the fund at December 31, 2021 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 2021 and 2020 were:

Year	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Year
2021	\$ 71,913	\$ 1,142,442	\$ (1,108,001)	\$ 106,354
2020	\$ 83,539	\$ 972,954	\$ (984,580)	\$ 71,913

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

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

The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for over 324 municipalities throughout the State of Ohio. Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA. The Council did not receive any funding from the City during the current year.

NOTE 16 - JOINT VENTURE WITH EQUITY INTEREST

During 2020, the City entered into an agreement with the City of Green to form the South Summit Council of Governments (the "Council") to share services, promote cooperative arrangements and coordinate action amount its members in matters relating to public safety dispatch operations and at its discretion, promote cooperative agreements and contracts among its members or other governmental agencies and private persons, corporations or agencies and exercises all other powers and authorities available to the Council as set forth in Chapter 167 of the Ohio Revised Code. Under the agreement, the mayors of each city make up the executive board and hold joint control. The Council held an organizational meeting in January 2021 and launched the dispatch operations in May 2021. Each city has an ongoing financial interest where each city's contributions to fund the Council are made on a quarterly basis to pay salaries and benefits and other operating costs of the Council. The equity interest for the City is currently 40.80% which resulted in an equity interest in a joint venture of \$35,881 at December 31, 2021. The Council is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on the City in the future. Financial information can be obtained from the South Summit Council of Governments, 4200 Massillon Road, Suite 100, North Canton, Ohio 44720.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 17 - INTERFUND ACTIVITY

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

The transfers in 2021 are as follows:

	Transfers In	
Transfers Out	Police District	Total
General fund	\$ 1,325,000	\$ 1,325,000
Total	\$ 1,325,000	\$ 1,325,000

The general fund transferred to these funds to cover expenditures.

- B. Interfund loans receivable/payable consisted of the following at December 31, 2021, as reported on the fund statements:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental fund	\$ 12,857

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by December 31. These interfund balances will be repaid once the anticipated revenues are received. Interfund loans between governmental funds are eliminated on the statement of net position.

- C. Loans receivable/payable consisted of the following at December 31, 2021, as reported on the fund statements:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental funds	\$ 4,096

The primary purpose of the balances is to cover costs in specific funds where revenues were not received by December 31. These balances will be repaid once the anticipated revenues are received. Loans between governmental funds are eliminated on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 18 - ENCUMBRANCE COMMITMENT

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

Fund	Year-End Encumbrances
General Fund	\$ 249,983
Police District	1,998
Nonmajor governmental funds	158,642
Total	\$ 410,623

NOTE 19 - FUND BALANCE

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

Fund balance	General	Street Construction, Maintenance and Repair Fund	Police District Fund	Fire District Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ -	\$ 150,969	\$ -	\$ -	\$ -	\$ 150,969
Prepayments	6,818	8,095	6,721	15,811	3,057	40,502
Long-term loans	4,096	-	-	-	-	4,096
Total nonspendable	10,914	159,064	6,721	15,811	3,057	195,567
Restricted:						
Security of persons and property	-	-	479,198	984,773	36,339	1,500,310
Public health	-	-	-	-	132,927	132,927
Transportation	-	769,087	-	-	1,092	770,179
Community development	-	-	-	-	601,716	601,716
Other purposes	-	-	-	-	15,256	15,256
Debt service	-	-	-	-	2,183	2,183
Total restricted	-	769,087	479,198	984,773	789,513	3,022,571
Committed:						
Leisure time activity	-	-	-	-	291,630	291,630
Capital improvements	-	-	-	-	105,042	105,042
Total committed	-	-	-	-	396,672	396,672
Assigned:						
Transportation	249,983	-	-	-	-	249,983
Subsequent year appropriations	1,162,972	-	-	-	-	1,162,972
Total assigned	1,412,955	-	-	-	-	1,412,955
Unassigned (deficit)	1,279,775	-	-	-	-	1,279,775
Total fund balances	\$ 2,703,644	\$ 928,151	\$ 485,919	\$ 1,000,584	\$ 1,189,242	\$ 6,307,540

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 20 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.013108%	0.012363%	0.011275%	0.011456%
City's proportionate share of the net pension liability	\$ 1,941,009	\$ 2,443,631	\$ 3,087,994	\$ 1,797,224
City's covered payroll	\$ 2,068,314	\$ 1,944,636	\$ 1,652,879	\$ 1,612,931
City's proportionate share of the net pension liability as a percentage of its covered payroll	93.84%	125.66%	186.83%	111.43%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	82.17%	74.70%	84.66%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.011895%	0.011040%	0.003382%	0.000000%
City's proportionate share of the net pension asset	\$ 34,337	\$ 23,021	\$ 3,782	\$ -
City's covered payroll	\$ 52,421	\$ 49,150	\$ 14,464	\$ -
City's proportionate share of the net pension asset as a percentage of its covered payroll	65.50%	46.84%	26.15%	0.00%
Plan fiduciary net position as a percentage of the total pension asset	157.67%	145.28%	126.64%	137.28%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.009184%	0.008702%	0.008922%	0.010810%
City's proportionate share of the net pension asset	\$ 1,674	\$ 329	\$ 203	\$ 377
City's covered payroll	\$ 55,160	\$ 52,010	\$ 50,640	\$ 59,610
City's proportionate share of the net pension asset as a percentage of its covered payroll	3.03%	0.63%	0.40%	0.63%
Plan fiduciary net position as a percentage of the total pension asset	188.21%	118.84%	113.42%	124.45%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.012109%	0.012201%	0.012245%	0.012245%
\$ 2,749,748	\$ 2,113,367	\$ 1,476,884	\$ 1,443,526
\$ 1,689,900	\$ 1,581,233	\$ 1,498,225	\$ 1,378,169
162.72%	133.65%	98.58%	104.74%
77.25%	81.08%	86.45%	86.36%
0.000000%	0.000000%	0.000000%	0.000000%
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
0.00%	0.00%	0.00%	0.00%
116.55%	116.90%	114.83%	104.56%
0.009567%	0.009778%	n/a	n/a
\$ 40	\$ 37	n/a	n/a
\$ 39,317	\$ 54,450	n/a	n/a
0.10%	0.07%	n/a	n/a
103.40%	103.91%	n/a	n/a

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS

	2021	2020	2019	2018
City's proportion of the net pension liability	0.06923680%	0.06632230%	0.06371300%	0.06465400%
City's proportionate share of the net pension liability	\$ 4,719,935	\$ 4,467,824	\$ 5,200,664	\$ 3,968,119
City's covered payroll	\$ 1,821,239	\$ 1,685,707	\$ 1,579,413	\$ 1,542,631
City's proportionate share of the net pension liability as a percentage of its covered payroll	259.16%	265.04%	329.28%	257.23%
Plan fiduciary net position as a percentage of the total pension liability	70.65%	69.89%	63.07%	70.91%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.06812000%	0.06299000%	0.06774060%	0.06774060%
\$ 4,314,590	\$ 4,052,145	\$ 3,509,245	\$ 3,299,180
\$ 1,505,251	\$ 1,500,549	\$ 1,522,989	\$ 1,464,435
286.64%	270.04%	230.42%	225.29%
68.36%	66.77%	72.20%	73.00%

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 198,362	\$ 289,564	\$ 272,249	\$ 231,403
Contributions in relation to the contractually required contribution	<u>(198,362)</u>	<u>(289,564)</u>	<u>(272,249)</u>	<u>(231,403)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,416,871	\$ 2,068,314	\$ 1,944,636	\$ 1,652,879
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 7,524	\$ 7,339	\$ 6,881	\$ 2,025
Contributions in relation to the contractually required contribution	<u>(7,524)</u>	<u>(7,339)</u>	<u>(6,881)</u>	<u>(2,025)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 53,743	\$ 52,421	\$ 49,150	\$ 14,464
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 5,589	\$ 5,516	\$ 5,201	\$ 5,064
Contributions in relation to the contractually required contribution	<u>(5,589)</u>	<u>(5,516)</u>	<u>(5,201)</u>	<u>(5,064)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 55,890	\$ 55,160	\$ 52,010	\$ 50,640
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 209,681	\$ 202,788	\$ 189,748	\$ 179,787	\$ 179,162	\$ 192,869
<u>(209,681)</u>	<u>(202,788)</u>	<u>(189,748)</u>	<u>(179,787)</u>	<u>(179,162)</u>	<u>(192,869)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,612,931	\$ 1,689,900	\$ 1,581,233	\$ 1,498,225	\$ 1,378,169	\$ 1,928,690
13.00%	12.00%	12.00%	12.00%	13.00%	10.00%
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13.00%	12.00%	12.00%	12.00%	13.00%	7.95%
\$ 5,961	\$ 4,718	\$ 6,534			
<u>(5,961)</u>	<u>(4,718)</u>	<u>(6,534)</u>			
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
\$ 59,610	\$ 39,317	\$ 54,450			
10.00%	12.00%	12.00%			

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 148,986	\$ 143,852	\$ 127,905	\$ 110,529
Contributions in relation to the contractually required contribution	<u>(148,986)</u>	<u>(143,852)</u>	<u>(127,905)</u>	<u>(110,529)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 784,137	\$ 757,116	\$ 673,184	\$ 581,732
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 240,084	\$ 250,069	\$ 237,943	\$ 234,455
Contributions in relation to the contractually required contribution	<u>(240,084)</u>	<u>(250,069)</u>	<u>(237,943)</u>	<u>(234,455)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,021,634	\$ 1,064,123	\$ 1,012,523	\$ 997,681
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 96,703	\$ 92,830	\$ 85,491	\$ 92,371	\$ 70,246	\$ 46,213
<u>(96,703)</u>	<u>(92,830)</u>	<u>(85,491)</u>	<u>(92,371)</u>	<u>(70,246)</u>	<u>(46,213)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 508,963	\$ 488,579	\$ 449,953	\$ 486,163	\$ 442,262	\$ 362,455
19.00%	19.00%	19.00%	19.00%	15.88%	12.75%
\$ 242,912	\$ 238,918	\$ 246,890	\$ 243,654	\$ 208,300	\$ 147,502
<u>(242,912)</u>	<u>(238,918)</u>	<u>(246,890)</u>	<u>(243,654)</u>	<u>(208,300)</u>	<u>(147,502)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,033,668	\$ 1,016,672	\$ 1,050,596	\$ 1,036,826	\$ 1,021,913	\$ 855,084
23.50%	23.50%	23.50%	23.50%	20.38%	17.25%

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability/asset	0.012912%	0.012175%	0.010923%	0.011070%	0.01156923%
City's proportionate share of the net OPEB liability/(asset)	\$ (230,038)	\$ 1,681,684	\$ 1,424,101	\$ 1,202,120	\$ 1,168,532
City's covered payroll	\$ 2,175,895	\$ 2,045,796	\$ 1,717,983	\$ 1,672,541	\$ 1,729,217
City's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	10.57%	82.20%	82.89%	71.87%	67.58%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	115.57%	47.80%	46.33%	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.06923680%	0.06632230%	0.06371300%	0.06465400%	0.06812000%
City's proportionate share of the net OPEB liability	\$ 733,575	\$ 655,114	\$ 580,205	\$ 3,663,216	\$ 3,233,503
City's covered payroll	\$ 1,821,239	\$ 1,685,707	\$ 1,579,413	\$ 1,542,631	\$ 1,505,251
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.28%	38.86%	36.74%	237.47%	214.81%
Plan fiduciary net position as a percentage of the total OPEB liability	45.42%	47.08%	46.57%	14.13%	15.96%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 2,235	\$ 2,206	\$ 2,081	\$ 2,025
Contributions in relation to the contractually required contribution	<u>(2,235)</u>	<u>(2,206)</u>	<u>(2,081)</u>	<u>(2,025)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,526,504	\$ 2,175,895	\$ 2,045,796	\$ 1,717,983
Contributions as a percentage of covered payroll	0.15%	0.10%	0.10%	0.12%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 17,483	\$ 33,570	\$ 29,317	\$ 29,871	\$ 13,680	\$ 54,432
<u>(17,483)</u>	<u>(33,570)</u>	<u>(29,317)</u>	<u>(29,871)</u>	<u>(13,680)</u>	<u>(54,432)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,672,541	\$ 1,729,217	\$ 1,635,683	\$ 1,498,225	\$ 1,378,169	\$ 1,928,690
1.05%	1.94%	1.79%	1.99%	0.99%	2.82%

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

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Police:</i>				
Contractually required contribution	\$ 3,921	\$ 3,786	\$ 3,366	\$ 2,909
Contributions in relation to the contractually required contribution	<u>(3,921)</u>	<u>(3,786)</u>	<u>(3,366)</u>	<u>(2,909)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 784,137	\$ 757,116	\$ 673,184	\$ 581,732
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 5,108	\$ 5,321	\$ 5,063	\$ 4,988
Contributions in relation to the contractually required contribution	<u>(5,108)</u>	<u>(5,321)</u>	<u>(5,063)</u>	<u>(4,988)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,021,634	\$ 1,064,123	\$ 1,012,523	\$ 997,681
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 2,545	\$ 2,509	\$ 2,311	\$ 2,039	\$ 9,605	\$ 11,751
<u>(2,545)</u>	<u>(2,509)</u>	<u>(2,311)</u>	<u>(2,039)</u>	<u>(9,605)</u>	<u>(11,751)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 508,963	\$ 488,579	\$ 449,953	\$ 486,163	\$ 442,262	\$ 362,455
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%
\$ 5,168	\$ 5,083	\$ 5,253	\$ 4,807	\$ 24,000	\$ 30,286
<u>(5,168)</u>	<u>(5,083)</u>	<u>(5,253)</u>	<u>(4,807)</u>	<u>(24,000)</u>	<u>(30,286)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,033,668	\$ 1,016,672	\$ 1,050,596	\$ 1,036,826	\$ 1,021,913	\$ 855,084
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016.
- For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.
- There were no changes in assumptions for 2018.
- For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017.
- For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.
- There were no changes in assumptions for 2019.
- There were no changes in assumptions for 2020.
- There were no changes in assumptions for 2021.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017-2020.
- For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% up to 3.16%, (b) the municipal bond rate was decreased from 3.71% up to 2.75% and (c) the health care cost trend rate was increased from 10.00%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.16% up to 6.00%, (b) the municipal bond rate was decreased from 2.75% up to 2.00% and (c) the health care cost trend rate was decreased from 10.50%, initial/3.50%, ultimate in 2030 down to 8.50%, initial/3.50% ultimate in 2035.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for 2017-2018.
- For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.
- There were no changes in benefit terms from the amounts reported for 2020.
- There were no changes in benefit terms from the amounts reported for 2021.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017.
- For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%.
- For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.
- For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% up to 3.56%.
- For 2021, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.56% down to 2.96%.

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OHIO AUDITOR OF STATE KEITH FABER



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

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

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Entity's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 27, 2023

**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2021-001

Financial Reporting – Significant Deficiency

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following issues were identified during the review of the City's Financial Report:

- The General Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) excluded amended appropriations, in the amount of \$127,000, from the final budgeted expenditures. The amended appropriations were approved by City Council via Resolution 21-R-3. Therefore, the final budgeted expenditure balance was understated while final budgeted fund balance at year end was overstated by \$127,000.
- The Street Construction Maintenance and Repair Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) excluded appropriations, in the amount of \$7,604, as well as the prior year encumbrances appropriated, in the amount of \$41,104 from the Original and Final Budgeted expenditures. The excluded appropriations represent the appropriation balance of the Street Capital Improvement Fund which is presented with the Street Construction Maintenance and Repair Fund for financial reporting purposes. In addition, although the City did not amend the appropriations for these funds, the final budgeted expenditures, as presented on the financial statements, was reduced by \$333,877. Therefore, Original Budgeted Expenditures were understated by \$48,708 while Final Budgeted Expenditures were understated by \$382,585. The final budgeted fund balance at year end was overstated by the same amounts.
- The Police District Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) excluded appropriations, in the amount of \$8,000, from the Original and Final Budgeted expenditures. The excluded appropriations represent the appropriations for Law Enforcement Trust fund which is presented with the Police District Fund for financial reporting purposes. Therefore, Original and Final Budgeted Expenditures were understated by \$8,000 and final budgeted fund at year end was overstated by the same amount.

- The Police District Fund's total other financing sources (uses) balance, as presented on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, did not foot properly as the Capital Lease Transaction balance, in the amount of \$93,796, was omitted from the statement. However, as the footed total included the noted balance, the statement was corrected by inserting the omitted information.
- The Internal Service Fund's total assets balance, as presented on the Statement of Net Position - Proprietary Fund, did not foot as the Accounts Receivable Balance, in the amount of \$3,442 was omitted from the statement. However, as the footed total included the noted balance, the statement was corrected by inserting the omitted information.

To help ensure the financial statements are presented properly, the City should review the design, implementation and maintenance of internal controls relevant to preparing and fairly presenting financial statements. Additionally, the City should updated and/or clarify the procedures and expected practices for the review of presented financial information to help ensure proper reporting and compliance.

Official's Response: "The issues outlined above were errors that occurred as part of the City's GAAP Conversion and not misstatements on the City's financial system. We have consulted with our contracted GAAP Conversion Team and have instituted a series of Teams meetings to be held throughout the entire process to make certain that the GAAP Financial Statement fairly represents the City's financial system and finances."

OHIO AUDITOR OF STATE KEITH FABER



CITY OF NEW FRANKLIN

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/28/2023

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov