



**Mary Taylor, CPA**  
Auditor of State



**CITY OF NEW FRANKLIN  
SUMMIT COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio, (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Street Maintenance and Repair, Police District and Fire District Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

July 5, 2010

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*(Unaudited)*

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The discussion and analysis of the City of New Franklin's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- The City's net assets increased \$1.3 million over 2008, which is an increase of 17.3%.
- General revenues accounted for \$5.2 million or 74.3% of total governmental activities revenue and program revenues accounted for \$1.8 million or 25.7% of total governmental activities revenue.
- The City replaced an ambulance and purchased a fire truck along with some road equipment and completion of a road resurfacing project in 2009. Overall the City's capital assets increased \$.8 million.

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

*Reporting the City as a Whole*

*The Statement of Net Assets and the Statement of Activities*

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

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

**City of New Franklin**  
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The Statement of Net Assets and the Statement of Activities consist of governmental activities.

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

*Reporting the City's Most Significant Funds*

*Fund Financial Statements*

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

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

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

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

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



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

The proprietary fund financial statements begin on page 22.

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

The fiduciary fund financial statements begin on page 25.

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

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

*The City as a Whole*

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

Table 1 provides a summary of the City's net assets for 2009 compared to 2008.

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2009	2008
<b>Assets</b>		
Current and Other Assets	\$ 8,298,449	\$ 7,927,631
Capital Assets, Net	4,170,074	3,344,448
Total Assets	12,468,523	11,272,079
<b>Liabilities</b>		
Current and Other Liabilities	3,057,345	3,257,161
Long Term Liabilities:		
Due Within One Year	94,839	109,523
Due in More than One Year	692,631	555,263
Total Liabilities	3,844,815	3,921,947
<b>Net Assets</b>		
Invested in Capital Assets Net of Debt	4,058,584	3,278,567
Restricted		
Debt Service	2,183	2,183
Capital Outlay	79,156	45,902
Police Operating	132,806	271,847
Fire Operating	321,280	321,537
Street Maintenance and Repair	1,254,170	964,311
Other Purposes	431,079	419,797
Unrestricted	2,344,450	2,045,988
Total Net Assets	\$ 8,623,708	\$ 7,350,132

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
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The City's net assets changed during the period, *increasing* from \$7.4 million to \$8.6 million, or 17.3%. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased from \$2.0 million in 2008 to \$2.3 million in 2009. Decreases in accounts payable and accrued wages have accounted for most of this change along with an increase in cash. Restricted net assets, those restricted mainly for debt service and special purposes such as street cleaning or maintenance, police and fire operating increased by \$.2 million. The investments in capital assets, net of related debt category had a \$.8 million increase in 2009.

Table 2 shows the changes in net assets for 2009 and 2008. This will enable readers to draw further conclusions about the City's financial status and possibly project future problems.

**Table 2**  
**Change in Net Assets**  
**Governmental Activities**

	2009	2008
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 548,004	\$ 437,399
Operating Grants and Contributions	1,265,910	819,578
Total Program Revenues	1,813,914	1,256,977
<i>General Revenue:</i>		
Property Taxes	2,912,657	2,925,501
City Income Taxes	729,314	1,209,363
Grants and Entitlements	1,571,064	1,482,727
Interest and Investment Earnings	294	71,218
Other	28,926	63,801
Total General Revenues	5,242,255	5,752,610
<i>Total Revenues</i>	7,056,169	7,009,587
<b>Program Expenses</b>		
General Government	1,188,857	1,107,541
Security of Persons and Property	3,711,431	3,676,927
Public Health	130,188	125,727
Community Development	124,367	121,677
Transportation	558,862	1,018,638
Leisure Time	66,027	40,646
Interest and Fiscal Charges	2,861	4,884
<i>Total Expenses</i>	5,782,593	6,096,040
<i>Change in Net Assets</i>	\$ 1,273,576	\$ 913,547

**City of New Franklin**  
**Summit County, Ohio**  
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The operating grants and contributions increased over 2008 due, in part, to grants for the assistance to firefighters and road improvements. Income tax and deferred income taxes decreased substantially as well as interest income, both as a result of the downturn in the economy.

**Governmental Activities**

Property taxes, the 1.0% income tax and the grants and entitlements are the largest sources of revenue for the City. Income tax revenues are allocated based on City ordinance. Income tax and all costs of collecting the taxes and administering the provisions were paid into the General Fund.

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

**Table 3**  
**Governmental Activities**

	2009		2008	
	Total Cost	Net Cost	Total Cost	Net Cost
General Government	\$ 1,188,857	\$ 1,056,388	\$ 1,107,541	\$ 1,032,192
Security of Persons and Property	3,711,431	3,027,706	3,676,927	3,309,683
Public Health	130,188	108,693	125,727	100,177
Community Development	124,367	120,323	121,677	121,677
Transportation	558,862	(397,831)	1,018,638	229,804
Leisure Time	66,027	50,539	40,646	40,646
Interest and Fiscal Charges	2,861	2,861	4,884	4,884
<i>Total Expenses</i>	<u>\$ 5,782,593</u>	<u>\$ 3,968,679</u>	<u>\$ 6,096,040</u>	<u>\$ 4,839,063</u>

The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. The unfunded balance in the net cost demonstrates the inability to recover the increased cost of the program under the current revenue policies.

When looking at sources of income to support governmental activities, it should be noted that the charges for services are only 7.8% of revenue. Revenues provided by sources other than city residents in the form of operating grants comprise another 17.9%. The remaining revenues are primarily generated locally through property (41.3%), income taxes (10.3%) and grants and entitlements not restricted to specific programs (22.3%). Miscellaneous revenues and interest comprise approximately .4%.

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*(Unaudited)*

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*The City's Funds*

**Governmental Funds**

Information about the City's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$7.1 million and expenditures of \$6.7 million. The General Fund balance increased \$.4 million, the Street Maintenance and Repair Fund balance increased by \$.3 million, the Police District Fund decreased \$.1 million and the Fire District Fund increased less \$.05 million. The increase in intergovernmental revenues accounts for most of the increase in fund balance.

**Proprietary Fund**

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

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

*General Fund Budgeting Highlights*

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

General Fund actual revenues were more than original and final estimated resources by \$.2 million with intergovernmental revenue accounting for most of that amount. Actual expenditures were less than original and final appropriations by \$.6 million with general government expenditures making up more than half of the difference and security of persons and property, community development, basic health and capital outlay accounting for the rest.

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*(Unaudited)*

**Capital Asset and Debt Administration**

*Capital Assets*

At the end of 2009, the City had \$4.2 million invested in furniture and equipment, land, buildings and improvements, vehicles and infrastructure (see below). This amount represents a net increase over last year. Table 4 shows 2009 balances compared with 2008.

**(Table 4)**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities	
	2009	2008
Land	\$ 739,496	\$ 739,496
Buildings and Improvements	894,414	922,679
Furniture and Equipment	736,769	762,898
Vehicles	1,212,058	841,484
Infrastructure	587,337	77,891
Totals	\$ 4,170,074	\$ 3,344,448

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

- New fire truck that will be delivered in January, 2010.
- Replacement of an ambulance.
- New equipment and asphalt resurfacing for the road department.

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

*Debt*

At December 31, 2009, the City had no outstanding long term debt obligations, other than capital leases and compensated absences. See Note 10 for additional information.

**City of New Franklin**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*(Unaudited)*

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*Current Issues*

At December 31, 2009, the elected Finance Director also serves as Council Clerk. Effective April 1, 2010, we will have an appointed Finance Director and a separate Clerk of Council.

During the year, the Police Department reinstated their Juvenile Diversion Program. In this program, the juveniles perform various duties around the City working under the supervision of a police officer. They may also work for non-city entities in the area where they are supervised by the outside entity.

*Contacting the City's Financial Management*

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

**City of New Franklin, Summit County**  
*Statement of Net Assets*  
*December 31, 2009*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,044,567
Receivables:	
Accounts	28,475
Taxes	3,136,772
Intergovernmental	1,082,827
Special Assessments	5,808
Noncurrent Assets:	
Land	739,496
Other Capital Assets, Net of Depreciation	3,430,578
<i>Total Assets</i>	12,468,523
<b>Liabilities</b>	
Accounts Payable	24,671
Intergovernmental Payable	151,674
Accrued Wages	40,838
Deferred Revenue	2,809,944
Claims Payable	30,218
Long Term Liabilities:	
Due Within One Year	94,839
Due In More Than One Year	692,631
<i>Total Liabilities</i>	3,844,815
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,058,584
Restricted for:	
Debt Service	2,183
Capital Projects	79,156
Police Operating	132,806
Fire Operating	321,280
Street Maintenance and Repair	1,254,170
Other Purposes	431,079
Unrestricted	2,344,450
<i>Total Net Assets</i>	\$ 8,623,708

See accompanying notes to the basic financial statements.



**City of New Franklin, Summit County**  
*Statement of Activities*  
For the Year Ended December 31, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$ 1,188,857	\$ 132,469	\$ 0	\$ (1,056,388)
Security of Persons and Property	3,711,431	390,021	293,704	(3,027,706)
Public Health	130,188	21,495	0	(108,693)
Community Development	124,367	4,019	25	(120,323)
Transportation	558,862	0	956,693	397,831
Leisure Time	66,027	0	15,488	(50,539)
Interest and Fiscal Charges	2,861	0	0	(2,861)
<i>Total Governmental Activities</i>	<u>5,782,593</u>	<u>548,004</u>	<u>1,265,910</u>	<u>(3,968,679)</u>
<i>Totals</i>	<u>\$ 5,782,593</u>	<u>\$ 548,004</u>	<u>\$ 1,265,910</u>	<u>(3,968,679)</u>
		<b>General Revenues:</b>		
		Property Taxes Levied for:		
		General Operations	155,309	
		Street Maintenance and Repair	381,210	
		Police and Fire Operations	2,376,138	
		Municipal Income Taxes Levied for:		
		General Operations	689,901	
		Other Purposes	39,413	
		Grants and Entitlements not Restricted to Specific Programs	1,571,064	
		Interest and Investment Earnings	294	
		Other	28,926	
		<i>Total General Revenues</i>	<u>5,242,255</u>	
		<i>Change in Net Assets</i>	1,273,576	
		<i>Net Assets Beginning of Year</i>	<u>7,350,132</u>	
		<i>Net Assets End of Year</i>	<u>\$ 8,623,708</u>	

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2009*

	General	Street Maintenance and Repair	Police District	Fire District
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,716,031	\$ 869,047	\$ 100,671	\$ 504,755
Receivables:				
Accounts	27,637	0	265	0
Taxes	423,529	381,007	681,338	1,650,898
Intergovernmental	294,569	346,037	54,062	136,589
Special Assessments	0	0	0	0
Interfund Receivable	211,426	0	0	0
<i>Total Assets</i>	<u>\$ 2,673,192</u>	<u>\$ 1,596,091</u>	<u>\$ 836,336</u>	<u>\$ 2,292,242</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 5,988	\$ 5,055	\$ 0	\$ 5,643
Intergovernmental Payable	19,261	11,244	35,855	85,314
Accrued Wages	17,643	4,168	0	19,027
Interfund Payable	0	0	0	0
Deferred Revenue	506,918	624,647	735,400	1,787,487
<i>Total Liabilities</i>	<u>549,810</u>	<u>645,114</u>	<u>771,255</u>	<u>1,897,471</u>
<b>Fund Balance</b>				
Reserved for Encumbrances	202	3,445	0	378
Unreserved, Undesignated, Reported In:				
General Fund	2,123,180	0	0	0
Special Revenue Funds	0	947,532	65,081	394,393
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances</i>	<u>2,123,382</u>	<u>950,977</u>	<u>65,081</u>	<u>394,771</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,673,192</u>	<u>\$ 1,596,091</u>	<u>\$ 836,336</u>	<u>\$ 2,292,242</u>

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 December 31, 2009*

Other Governmental Funds	Total Governmental Funds		\$	3,972,144
		Total Governmental Fund Balances		
		<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
\$ 643,559	\$ 3,834,063	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		4,170,074
0	27,902			
0	3,136,772	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
251,570	1,082,827	Delinquent Property Taxes	\$ 58,525	
5,808	5,808	Municipal Income Tax	157,469	
0	211,426	Grants	211,426	
		Intergovernmental	654,873	
		Special Assessments	5,808	
<u>\$ 900,937</u>	<u>\$ 8,298,798</u>	Total		1,088,101
\$ 7,985	\$ 24,671	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		180,859
0	151,674			
0	40,838	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
211,426	211,426	Compensated Absences	(675,980)	
243,593	3,898,045	Capital Leases	(111,490)	
		Total		(787,470)
<u>463,004</u>	<u>4,326,654</u>	<i>Net Assets of Governmental Activities</i>		<u>\$ 8,623,708</u>
0	4,025			
0	2,123,180			
356,594	1,763,600			
2,183	2,183			
79,156	79,156			
<u>437,933</u>	<u>3,972,144</u>			
<u>\$ 900,937</u>	<u>\$ 8,298,798</u>			

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2009*

	General	Street Maintenance and Repair	Police District	Fire District
<b>Revenues</b>				
Local Taxes	\$ 928,179	\$ 382,224	\$ 712,893	\$ 1,669,743
Intergovernmental Revenue	1,142,586	715,292	146,924	325,646
Fees, Licenses and Permits	131,375	0	0	0
Fines and Forfeitures	1,094	0	0	0
Special Assessments	5,482	0	0	0
Charges for Services	285,253	0	64,074	0
Interest Income	294	78	0	0
Gifts and Donations	25	0	5,819	520
Miscellaneous	4,964	2,401	9,094	12,257
<i>Total Revenues</i>	<u>2,499,252</u>	<u>1,099,995</u>	<u>938,804</u>	<u>2,008,166</u>
<b>Expenditures</b>				
Current:				
General Government	1,090,825	0	0	0
Security of Persons and Property	636,772	0	1,055,679	1,986,167
Public Health	113,926	0	0	0
Community Development	125,929	0	0	0
Transportation	0	774,755	0	0
Leisure Time	0	0	0	0
Capital Outlay	95,743	30,058	20,723	49,991
Debt Service:				
Principal Retirement	0	17,170	0	79,825
Interest and Fiscal Charges	0	369	0	2,492
<i>Total Expenditures</i>	<u>2,063,195</u>	<u>822,352</u>	<u>1,076,402</u>	<u>2,118,475</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	436,057	277,643	(137,598)	(110,309)
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	0	0	0	142,604
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>142,604</u>
<i>Net Change in Fund Balance</i>	436,057	277,643	(137,598)	32,295
<i>Fund Balance Beginning of Year</i>	<u>1,687,325</u>	<u>673,334</u>	<u>202,679</u>	<u>362,476</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,123,382</u>	<u>\$ 950,977</u>	<u>\$ 65,081</u>	<u>\$ 394,771</u>

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Year Ended December 31, 2009*

Other Governmental Funds	Total Governmental Funds		\$	
		Net Change in Fund Balances - Total Governmental Funds	\$	455,418
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
\$ 39,413	\$ 3,732,452	Governmental funds report capital outlays as expenditures.		
398,524	2,728,972	However, in the statement of activities, the cost of those		
0	131,375	assets is allocated over their estimated useful lives as		
2,685	3,779	depreciation expense. This is the amount by which capital		
5,858	11,340	outlays exceeded depreciation in the current period.		
63,523	412,850	Capital Asset Additions	\$ 1,131,722	
145	517	Current Year Depreciation	<u>(306,096)</u>	
0	6,364	Total		825,626
210	28,926			
<u>510,358</u>	<u>7,056,575</u>	Revenues in the statement of activities that do not provide		
		current financial resources are not reported as revenues		
		in the funds.		
		Delinquent Property Taxes	(7,924)	
		Municipal Income Taxes	(82,557)	
7,317	1,098,142	Grants	211,426	
35,335	3,713,953	Intergovernmental	<u>(121,351)</u>	
16,262	130,188	Total		(406)
0	125,929			
215,131	989,886	The issuance of long term debt provides current financial resources		
56,647	56,647	to the governmental funds while the repayment of principal of		
332,645	529,160	long term debt consumes the current financial resources, but reduces		
		long term liabilities in the statement of net assets.		
0	96,995	Inception of Capital Lease	(142,604)	
0	2,861	Capital Leases	<u>96,995</u>	
<u>663,337</u>	<u>6,743,761</u>	Total		(45,609)
(152,979)	312,814	Some expenses reported in the statement of activities do not		
		use the current financial resources and therefore are not reported		
		as expenditures in governmental funds.		
0	142,604	Compensated Absences		(77,075)
<u>0</u>	<u>142,604</u>			
(152,979)	455,418	The internal service fund used by management to charge the costs		
		of insurance to individual funds is not reported in the city-wide		
		statement of activities. The net revenue (expense) of internal service		
590,912	3,516,726	funds is reported with governmental activities.		<u>115,622</u>
<u>\$ 437,933</u>	<u>\$ 3,972,144</u>	Change in Net Assets of Governmental Activities	<u>\$</u>	<u>1,273,576</u>

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$ 992,534	\$ 1,042,487	\$ 934,084	\$ (108,403)
Intergovernmental Revenue	942,200	942,200	1,153,281	211,081
Fees, Licenses and Permits	83,600	83,600	135,732	52,132
Fines and Forfeitures	2,500	2,500	1,094	(1,406)
Special Assessments	0	0	5,482	5,482
Charges for Services	255,500	255,500	284,137	28,637
Interest Income	0	0	294	294
Gifts and Donations	100	100	25	(75)
Miscellaneous	9,500	9,500	4,964	(4,536)
<i>Total Revenues</i>	<u>2,285,934</u>	<u>2,335,887</u>	<u>2,519,093</u>	<u>183,206</u>
<b>Expenditures</b>				
Current:				
General Government	1,430,402	1,425,880	1,108,268	317,612
Security of Persons and Property	833,364	831,496	642,661	188,835
Public Health	120,000	120,000	113,926	6,074
Community Development	216,800	216,077	128,781	87,296
Capital Outlay	73,061	124,561	102,504	22,057
<i>Total Expenditures</i>	<u>2,673,627</u>	<u>2,718,014</u>	<u>2,096,140</u>	<u>621,874</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(387,693)	(382,127)	422,953	805,080
<b>Other Financing Sources (Uses)</b>				
Advances Out	0	(211,426)	(211,426)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(211,426)</u>	<u>(211,426)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(387,693)	(593,553)	211,527	805,080
<i>Fund Balance Beginning of Year</i>	1,464,130	1,464,130	1,464,130	0
Prior Year Encumbrances Appropriated	34,184	34,184	34,184	0
<i>Fund Balance End of Year</i>	<u>\$ 1,110,621</u>	<u>\$ 904,761</u>	<u>\$ 1,709,841</u>	<u>\$ 805,080</u>

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 Street Maintenance and Repair  
 For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$ 383,856	\$ 383,856	\$ 382,224	\$ (1,632)
Intergovernmental Revenue	703,309	699,980	713,452	13,472
Interest Income	0	0	78	78
Miscellaneous	5,000	5,000	2,401	(2,599)
<i>Total Revenues</i>	<u>1,092,165</u>	<u>1,088,836</u>	<u>1,098,155</u>	<u>9,319</u>
<b>Expenditures</b>				
Current:				
Transportation	1,516,055	1,512,315	826,137	686,178
Capital Outlay	194,600	194,600	30,058	164,542
Debt Service:				
Principal Retirement	17,170	17,170	17,170	0
Interest and Fiscal Charges	369	369	369	0
<i>Total Expenditures</i>	<u>1,728,194</u>	<u>1,724,454</u>	<u>873,734</u>	<u>850,720</u>
<i>Net Change in Fund Balance</i>	(636,029)	(635,618)	224,421	860,039
<i>Fund Balance Beginning of Year</i>	602,232	602,232	602,232	0
Prior Year Encumbrances Appropriated	33,894	33,894	33,894	0
<i>Fund Balance End of Year</i>	<u>\$ 97</u>	<u>\$ 508</u>	<u>\$ 860,547</u>	<u>\$ 860,039</u>

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 Police District  
 For the Year Ended December 31, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Local Taxes	\$ 725,000	\$ 725,000	\$ 712,893	\$ (12,107)
Intergovernmental Revenue	148,300	148,300	147,737	(563)
Charges for Services	61,610	61,610	64,074	2,464
Gifts and Donations	500	500	5,819	5,319
Miscellaneous	1,997	5,896	9,094	3,198
<i>Total Revenues</i>	<u>937,407</u>	<u>941,306</u>	<u>939,617</u>	<u>(1,689)</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,152,862	1,142,097	1,098,818	43,279
Capital Outlay	13,500	21,723	20,723	1,000
<i>Total Expenditures</i>	<u>1,166,362</u>	<u>1,163,820</u>	<u>1,119,541</u>	<u>44,279</u>
<i>Net Change in Fund Balance</i>	(228,955)	(222,514)	(179,924)	42,590
<i>Fund Balance Beginning of Year</i>	279,833	279,833	279,833	0
Prior Year Encumbrances Appropriated	762	762	762	0
<i>Fund Balance End of Year</i>	<u>\$ 51,640</u>	<u>\$ 58,081</u>	<u>\$ 100,671</u>	<u>\$ 42,590</u>

See accompanying notes to the basic financial statements.



**City of New Franklin, Summit County**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 Fire District  
 For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,669,743	\$ (30,257)
Intergovernmental Revenue	308,027	308,472	325,646	17,174
Gifts and Donations	100	100	520	420
Miscellaneous	4,000	4,000	12,257	8,257
<i>Total Revenues</i>	2,004,127	2,012,572	2,008,166	(4,406)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	1,910,685	2,202,842	1,906,407	296,435
Capital Outlay	49,250	80,250	55,191	25,059
Debt Service:				
Principal Retirement	79,825	79,825	79,825	0
Interest and Fiscal Charges	2,492	2,492	2,492	0
<i>Total Expenditures</i>	2,042,252	2,365,409	2,043,915	321,494
<i>Net Change in Fund Balance</i>	(38,125)	(352,837)	(35,749)	317,088
<i>Fund Balance Beginning of Year</i>	532,889	532,889	532,889	0
Prior Year Encumbrances Appropriated	1,716	1,716	1,716	0
<i>Fund Balance End of Year</i>	\$ 496,480	\$ 181,768	\$ 498,856	\$ 317,088

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2009*

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	<b>Governmental Activities - Internal Service Fund</b>
	<hr/>
<b>Assets</b>	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 210,504
Trade (Net of Allowance)	<hr/> 573
<i>Total Assets</i>	<hr/> 211,077
<b>Liabilities</b>	
Current Liabilities	
Claims Payable	<hr/> 30,218
<i>Total Liabilities</i>	<hr/> 30,218
<b>Net Assets</b>	
Unrestricted	<hr/> 180,859
<i>Total Net Assets</i>	<hr/> <hr/> \$ 180,859

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Year Ended December 31, 2009*

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating Revenues</b>	
Charges for Services	\$ 942,335
<b>Operating Expenses</b>	
Contractual Service	30,078
Claims	796,635
<i>Total Operating Expenses</i>	826,713
<i>Change in Net Assets</i>	115,622
<i>Net Assets at Beginning of Year</i>	65,237
<i>Net Assets at the End of the Year</i>	\$ 180,859

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Year Ended December 31, 2009*

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 942,181
Cash Paid for Goods and Services	(30,078)
Cash Paid for Claims	(809,767)
<i>Net Cash Provided By (Used For) Operating Activities</i>	102,336
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	102,336
<i>Cash and Cash Equivalents at Beginning of Year</i>	108,168
<i>Cash and Cash Equivalents at End of Year</i>	\$ 210,504
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>	
Operating Income (Loss)	\$ 115,622
Adjustments:	
(Increase) Decrease in Assets:	
Accounts Receivable	(154)
Increase (Decrease) in Liabilities:	
Claims Payable	(13,132)
<i>Total Adjustments</i>	(13,286)
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 102,336

See accompanying notes to the basic financial statements.

**City of New Franklin, Summit County**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*December 31, 2009*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,660</u>
<i>Total Assets</i>	<u><u>\$ 3,660</u></u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 3,660</u>
<i>Total Liabilities</i>	<u><u>\$ 3,660</u></u>

See accompanying notes to the basic financial statements.

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**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Note 1 – Description of the City and Reporting Entity**

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

***Reporting Entity***

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

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

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

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

**Note 2 – Summary of Significant Accounting Policies**

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

For the year ended December 31, 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments," GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

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

***Basis of Presentation***

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

***Government-wide Financial Statements***

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

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

***Fund Financial Statements***

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



**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Fund Accounting***

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

***Governmental Funds***

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

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

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

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

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

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

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

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

***Fiduciary Funds***

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

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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measurement of results of operations. The City's agency fund accounts for the operations of the Franklin Park Civic Center.

***Measurement Focus***

***Government-wide Financial Statements***

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

***Fund Financial Statements***

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

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

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

***Basis of Accounting***

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

***Revenues - Exchange and Non-exchange Transactions***

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

***Deferred Revenue***

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue on modified accrual only. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures***

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

***Budgetary Data***

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

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

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

**City of New Franklin, Summit County**  
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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 2009.

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

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

***Cash and Cash Equivalents***

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

During 2009, investments included a repurchase agreement.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2009 amounted to \$294, which includes \$68, assigned from other City funds.

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

***Capital Assets***

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

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

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

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

***Interfund Balances***

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

***Compensated Absences***

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

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

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

***Accrued Liabilities and Long-Term Obligations***

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

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

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
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***Fund Balance Reserves***

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

***Net Assets***

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

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

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues include charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

***Interfund Activity***

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

***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**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**Note 3 – Deposits and Investments**

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

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

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

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

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

Interim monies may be invested in the following securities:

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

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
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8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

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

**Deposits:** The carrying value of the City's deposits totaled \$(66,231) and the bank balances of the deposits totaled \$36,813. The entire bank balance was covered by depository insurance.

**Investments**

Investments are reported at fair value. As of December 31, 2009, the City had the following investments:

Standard & Poor's	Investment	Fair Value	Investment Maturity Less than One Year	Total Investments
N/A *	Repurchase Agreement	\$ 4,114,458	\$ 4,114,458	100.00%

\*Underlying securities exempt.

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



**City of New Franklin, Summit County**  
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**Credit Risk:** The City's investments credit ratings are summarized above.

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

Custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's \$4,114,458 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the City's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related purchase agreement. The City's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**Note 4 – Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund and major Special Revenue Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

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

**City of New Franklin, Summit County**  
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	<b>Net Change in Fund Balance</b>			
	<b>General</b>	<b>Street Maintenance and Repair</b>	<b>Police District</b>	<b>Fire District</b>
GAAP Basis (as reported)	\$ 436,057	\$ 277,643	\$ (137,598)	\$ 32,295
Adjustments:				
Net adjustment for revenue accruals	19,841	(1,840)	813	0
Other financing sources	0	0	0	(142,604)
Net adjustment for expenditure accruals	(26,755)	(42,882)	(43,139)	80,460
Other financing uses	(211,426)	0	0	0
Encumbrances	<u>(6,190)</u>	<u>(8,500)</u>	<u>0</u>	<u>(5,900)</u>
Budget basis	<u>\$ 211,527</u>	<u>\$ 224,421</u>	<u>\$ (179,924)</u>	<u>\$ (35,749)</u>

**Note 5 – Receivables**

Receivables at December 31, 2009, consisted of taxes, special assessments, accounts and intergovernmental receivables.

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

***Property Taxes***

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
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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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2009 was \$14.65 per \$1,000 of assessed value. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$10.00 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$10.63 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property - 2009 Valuation

Residential/agricultural	\$ 298,013,470	94.18%
Commercial/industrial	18,407,370	5.82%
	\$ 316,420,840	100.00%

Tangible Personal Property - 2008 Valuation

Public Utilities	\$ 7,590,058
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Real property taxes are payable annually or semiannually. If paid annually, the payment is due by December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts in the county. The County Fiscal Officer periodically remits to the City its portion of the taxes. Property taxes receivable represent real, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2009. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2009 operations. The receivable is offset by deferred revenue.

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
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***Income Taxes***

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

Employers within the City are required to withhold income tax on work done or services performed in the City by both residents and non-residents of the City. All individuals who work or conduct business in the City and do not have income tax withheld must file estimated tax returns using the 1% rate for 2009 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 2009 using the 1% rate.

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

Income tax revenues are allocated based on City ordinance. The parks and recreation fund receives 5% of the collections and the balance goes to the general fund. In 2009, all costs of collecting the taxes and administering and enforcing the provisions were paid from the general fund.

***Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

	<u>Amount</u>
<b>Governmental Activities:</b>	
Local Government	\$ 269,304
Auto Registration	65,780
Permissive Tax	5,642
Gasoline Tax	282,998
Estate Tax	12,325
Homestead Rollback	235,352
Grants	<u>211,426</u>
Total	<u><u>\$ 1,082,827</u></u>

**City of New Franklin, Summit County**  
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***Taxes Receivable***

A summary of taxes receivables follows:

	Amount
<b>Governmental Activities:</b>	
Real Estate and Personal Property Tax	\$ 2,868,469
Municipal Income Tax	268,303
Total	\$ 3,136,772

**Note 6 – Capital Assets**

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 739,496	\$ 0	\$ 0	\$ 739,496
Total Capital Assets, not being depreciated	739,496	0	0	739,496
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	1,109,869	0	0	1,109,869
Furniture and Equipment	1,284,404	55,699	0	1,340,103
Vehicles	2,165,916	535,332	0	2,701,248
Infrastructure	84,207	540,691	0	624,898
Total Capital Assets, being depreciated	4,644,396	1,131,722	0	5,776,118
Less Accumulated Depreciation:				
Buildings and Improvements	(187,190)	(28,265)	0	(215,455)
Furniture and Equipment	(521,506)	(81,828)	0	(603,334)
Vehicles	(1,324,432)	(164,758)	0	(1,489,190)
Infrastructure	(6,316)	(31,245)	0	(37,561)
Total Accumulated Depreciation	(2,039,444)	(306,096)	0	(2,345,540)
Total Capital Assets being depreciated, net	2,604,952	825,626	0	3,430,578
Governmental Activities Capital Assets, Net	\$ 3,344,448	\$ 825,626	\$ 0	\$ 4,170,074

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
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Depreciation expense was charged to programs as follows:

<i>Governmental Activities:</i>	
General Government	\$ 20,779
Transportation	112,354
Leisure Time	734
Security of Persons and Property	<u>172,229</u>
Total	<u><u>\$ 306,096</u></u>

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in State and local classifications contributed 10.0% of covered payroll and public safety and law enforcement members contributed 10.1%.

The City's contribution rate for 2009 was 14.0%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll. For 2009, a portion of the City's contribution of covered payroll was allocated to fund the post-employment health care plan. From January 1 through March 31, 2009 this allocation was 7.0% and from April 1 through December 31, 2009 the allocation was 5.5%. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0%, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1%.

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The City's required contributions for pension obligations were made only to the traditional plan. The contributions for the years ended December 31, 2009, 2008, and 2007 were \$138,644, \$117,369, and \$137,802 respectively; 92% has been contributed for 2009 and 100% for 2008 and 2007. There were no contributions made to the member-directed plan.

***Ohio Police and Fire Pension Fund***

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. For 2009 a portion of the City's contribution equal to 6.75% of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$15,779 and \$143,312 for the year ended December 31, 2009, \$12,472 and \$137,775 for the year ended December 31, 2008 and \$13,934 and \$193,554 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 72% has been contributed for 2009.

**Note 8 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.0% of covered payroll. Each year, the OPERS retirement board

**City of New Franklin, Summit County**  
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determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.0% of covered payroll from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$84,181, \$101,797, and \$77,945 respectively; 93% has been contributed for 2009 and 100% for 2008 and 2007.

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

***Ohio Police and Fire Pension Fund***

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the years ended December 31, 2009 and 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).



**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$8,354 and \$56,079 for the year ended December 31, 2009, \$6,603 and \$53,912 for the year ended December 31, 2008, and \$4,821 and \$54,389 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 72% has been contributed for 2009.

**Note 9 – Compensated Absences**

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

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

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

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

**Note 10 – Long Term Obligations**

Long term liability activity for the year ended December 31, 2009 was as follows:

	<u>Balance 12/31/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2009</u>	<u>Due Within One Year</u>
<i>Long Term Obligations</i>					
Capital Leases	65,881	142,604	96,995	111,490	26,041
Compensated Absences	598,905	145,584	68,509	675,980	68,798
Total Long Term Obligations	<u>\$ 664,786</u>	<u>\$ 288,188</u>	<u>\$ 165,504</u>	<u>\$ 787,470</u>	<u>\$ 94,839</u>

The capital leases are paid from the Permissive Motor Vehicle and Fire District Funds and compensated absences are paid from the General Fund, Street Maintenance and Repair Fund and the Fire District Fund.

**Note 11 - Capitalized Leases**

Capital lease obligations relate to equipment which is leased under a long-term agreement. These leases meet the criteria of a capital lease as defined under generally accepted accounting standards. Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the Fire District and Permissive Motor Vehicle Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2009.

<u>Year</u>	<u>Amount</u>
2010	\$ 31,114
2011	31,114
2013	31,113
2013	31,113
Total Minimum Lease Payments	124,454
Less Amount Representing Interest	<u>12,964</u>
Present Value of Minimum Lease Payments	<u>\$ 111,490</u>

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

**Note 12 – Risk Management**

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

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***Risk Pool Membership***

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

***Casualty Coverage***

For casualty coverages through December 31, 2005, PEP retained the first \$250,000 of each loss, and reinsured loss amounts over \$250,000 with American Public Entities Excess Pool ("APEEP"), in an amount not to exceed \$1,750,000 per claim and \$10,000,000 in aggregate per year. PEP pays a percentage if its contribution to APEEP.

Effective January 1, 2006, PEP retains the first \$350,000 of each loss, and reinsures loss amounts over \$350,000 with APEEP, in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. PEP pays a percentage if its contribution to APEEP.

In losses exhaust PEP's retained earning, APEEP provides "excess of funds available" coverage up to \$5,000,000 per year, subject to a certificate year aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

***Property Coverage***

Property coverage is also offered by the PEP, up to a per occurrence loss limitation of \$600,000,000. APEEP began administering a non risk-sharing property program for its members effective April 1, 1997. Automobile Physical Damage and Property are insured through the Property Program. Specific losses in excess of \$100,000 were reinsured with The Travelers Indemnity Company ("Travelers"), from April 1, 1997 through December 31, 2004.

Effective January 1, 2005 APEEP began administering a risk sharing program, in which Travelers reinsured property specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. Effective January 1, 2007, the terms changed, with Travelers reinsuring property specific losses in excess of \$300,000, up to \$600,000,000 per occurrence. Terms changed again, effective January 1, 2008, with Travelers now reinsuring property specific losses in excess of \$500,000 up to \$600,000,000.

From January 1, 2005 through December 31, 2008, APEEP reinsured members for specific property losses in excess of \$100,000 up to \$250,000 (\$300,000 effective 1/1/07 and \$500,000 effective 1/1/08) per occurrence, subject to an annual aggregate loss payment. Effective January 1, 2009, APEEP reinsured members for specific property losses in excess of \$150,000 up to \$500,000.

Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

Property and casualty settlements did not exceed insurance coverage for the past three years.

***Financial Position***

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008:

	2009	2008
Assets	\$ 36,374,898	\$ 35,769,535
Liabilities	15,256,862	15,310,206
Net Assets	\$ 21,118,036	\$ 20,459,329
Number of Members	447	445
Approximate Unpaid Claims to be Billed in the Future	\$13.7 million	\$12.9 million

The City's share of these unpaid claims collectible in future years is approximately \$83,278. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

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

Year	Contributions to PEP
2007	\$ 87,025
2008	84,359
2009	88,594

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

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool ("APEEP"), which is also administered by ARPCO. APEEP provides the Pool with an excess risk-sharing

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
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program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2009 the Pool retained \$350,000 for casualty claims and \$150,000 for property claims). The Board of Directors and ARPCO periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

**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, 2009, a total expense of \$826,713 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 \$30,218 reported in the fund at December 31, 2009 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 2009 and 2008 was:

		<u>Beginning Balance</u>	<u>Claims</u>	<u>Claim Payments</u>		<u>Ending Balance</u>
2009	\$	43,350	796,635	809,767	\$	30,218
2008		36,612	750,789	744,051		43,350

**Note 13 – Contingencies**

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

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

**Note 14 - Jointly Governed Organization**

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

**City of New Franklin, Summit County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

**Note 15 – Fund Deficits**

Fund balances at December 31, 2009 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Nonmajor Governmental Fund:	
Assistance to Firefighters Grant	\$ 195,938
Sisler Park - ODNR	15,488

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



# Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of New Franklin, Summit County, Ohio, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 20, 2010.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

August 20, 2010



**CITY OF NEW FRANKLIN  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Material Weakness – Capital Assets**

During testing of capital assets, the following deficiencies were noted:

- The City did not capitalize the Asphalt Concrete Resurfacing Project in the amount of \$540,691. The City's financial statements and ledgers were adjusted to reflect this addition.
- For previous years disposal of assets, the "Book Current Year Disposals" Report did not always include the proper method of disposal.
- The City's Fixed Asset Policy does not address whether items that are purchased which, in aggregate, exceed the threshold, but individually do not, should be capitalized, or what those useful lives should be. Also, the policy does not address the capitalization of infrastructure assets.
- The capital asset master listing along with the asset themselves did not always include identifying information such as tag number, serial number or VIN number for assets.
- Several depreciable capital assets were fully depreciated and still in use.

To help improve the accountability and reporting of the capital assets, the City should:

- Ensure all projects are reviewed to see if they should be capitalized.
- Ensure the "Book Current Year Disposals" Report includes the proper method of disposal for each asset.
- Create a Capital Asset Policy that includes information relating to multiple assets and asset useful lives to ensure it reflects the procedures followed by the City.
- Assign assets tag numbers and ensure all assets purchased are recorded with identifying information.
- Re-evaluate capital asset useful lives since it appears they are still being used after the established useful life.

**Official's Response:** The City will review its procedures on capital assets to ensure all capital assets are capitalized and properly tagged and identified. Also, the city will review and update our policy when necessary.





**Mary Taylor, CPA**  
Auditor of State

**CITY OF NEW FRANKLIN**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 7, 2010**