



**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

**CITY OF NEW FRANKLIN
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance	
Governmental Funds.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance	
Budget (Non-GAAP Basis) and Actual	
General Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Budget (Non-GAAP Basis) and Actual	
Street Maintenance and Repair	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Budget (Non-GAAP Basis) and Actual	
Police District	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Budget (Non-GAAP Basis) and Actual	
Fire District	21
Statement of Fund Net Assets	
Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Fund Net Assets	
Proprietary Funds.....	23
Statement of Cash Flows	
Proprietary Funds.....	24
Statement of Fiduciary Assets and Liabilities	
Fiduciary Funds.....	25
Notes to the Basic Financial Statements	27
Independent Accountants' Report on Internal Control Over	
Financial Reporting and on Compliance and Other Matters	
Required by <i>Government Auditing Standards</i>	
	51
Schedule of Prior Audit Findings.....	53

This page intentionally left blank.



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, 2008, 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, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, 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 August 7, 2009, 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

August 7, 2009

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

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, 2008. 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 2008 are as follows:

- The City's net assets increased \$.9 million over 2007, which is an increase of 14.2%.
- General revenues accounted for \$5.8 million or 82.2% of total governmental activities revenue and program revenues accounted for \$1.3 million or 17.8% of total governmental activities revenue.
- The City replaced the roof on the fire station and replaced police vehicles and road equipment in 2008. Overall the City's capital assets increased \$.3 million.

The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) 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
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

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, Police District and Fire District, 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 to demonstrate compliance with this budget.

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

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

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
For the Year Ended December 31, 2008
(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 2008 compared to 2007.

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
Assets		
Current and Other Assets	\$ 7,927,631	\$ 7,535,765
Capital Assets, Net	3,344,448	3,037,031
Total Assets	11,272,079	10,572,796
Liabilities		
Current and Other Liabilities	3,257,161	3,440,064
Long Term Liabilities:		
Due Within One Year	109,523	119,296
Due in More than One Year	555,263	576,851
Total Liabilities	3,921,947	4,136,211
Net Assets		
Invested in Capital Assets Net of Debt	3,278,567	2,915,024
Restricted		
Debt Service	2,183	2,183
Police Operating	271,847	193,407
Fire Operating	321,537	137,066
Street Maintenance and Repair	964,311	1,122,934
Other	465,699	384,573
Unrestricted	2,045,988	1,681,398
Total Net Assets	\$ 7,350,132	\$ 6,436,585

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

The City's net assets changed during the period, *increasing* from \$6.4 million to \$7.4 million, or 14.2%. 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 \$1.7 million in 2007 to \$2.0 million in 2008. Decreases in accounts payable and deferred revenue have accounted for most of this change. 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 \$.4 million increase in 2008.

Table 2 shows the changes in net assets for 2008 and 2007. 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

	2008	2007
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 437,399	\$ 407,231
Operating Grants and Contributions	819,578	1,079,973
Total Program Revenues	1,256,977	1,487,204
<i>General Revenue:</i>		
Property Taxes	2,925,501	2,858,814
City Income Taxes	1,209,363	914,806
Grants and Entitlements	1,482,727	1,283,733
Interest and Investment Earnings	71,218	163,666
Other	63,801	18,038
Total General Revenues	5,752,610	5,239,057
<i>Total Revenues</i>	7,009,587	6,726,261
Program Expenses		
General Government	1,107,541	971,381
Security of Persons and Property	3,676,927	3,640,835
Public Health	125,727	123,511
Community Development	121,677	114,115
Transportation	1,018,638	889,008
Leisure Time	40,646	35,465
Interest and Fiscal Charges	4,884	7,210
<i>Total Expenses</i>	6,096,040	5,781,525
<i>Change in Net Assets</i>	\$ 913,547	\$ 944,736

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

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

	2008		2007	
	Total Cost	Net Cost	Total Cost	Net Cost
General Government	\$ 1,107,541	\$ 1,032,192	\$ 971,381	\$ 858,810
Security of Persons and Property	3,676,927	3,309,683	3,640,835	3,094,983
Public Health	125,727	100,177	123,511	101,211
Community Development	121,677	121,677	114,115	113,596
Transportation	1,018,638	229,804	889,008	83,046
Leisure Time	40,646	40,646	35,465	35,465
Interest and Fiscal Charges	4,884	4,884	7,210	7,210
<i>Total Expenses</i>	\$ 6,096,040	\$ 4,839,063	\$ 5,781,525	\$ 4,294,321

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 6.2% of revenue. Revenues provided by sources other than city residents in the form of operating grants comprise another 11.7%. The remaining revenues are primarily generated locally through property (41.7%), income taxes (17.3%) and grants and entitlements not restricted to specific programs (21.2%). Miscellaneous revenues and interest comprise approximately 1.9%.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

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 \$6.8 million and expenditures of \$6.4 million. The General Fund balance increased \$.1 million, the Street Maintenance and Repair Fund balance decreased by \$.2 million, the Police District Fund increased \$.08 million and the Fire District Fund increased \$.1 million. The increase in taxes and 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 taxes accounting for most of that amount. Actual expenditures were less than original and final appropriations by \$.7 million with general government expenditures making up nearly half of the difference and security of persons and property and community development accounting for the rest.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Capital Asset and Debt Administration

Capital Assets

At the end of 2008, the City had \$3.3 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 2008 balances compared with 2007.

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$ 739,496	\$ 739,496
Buildings and Improvements	922,679	893,431
Furniture and Equipment	762,898	732,758
Vehicles	841,484	589,244
Infrastructure	77,891	82,102
Totals	\$ 3,344,448	\$ 3,037,031

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

- Roof replacement on the Fire Station One.
- Additional road and parks equipment.
- Replacement of two police cars.

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

Debt

At December 31, 2008, the City had no outstanding long term debt obligations, other than capital leases and compensated absences. See Note 10 for additional information.

Current Issues

This was the first full year of running the City under the Charter Government that was passed in 2006. Council had to appoint two at-large Councilmen for 2008. Council now consists of 4 Ward Council People and 3 at large.

City of New Franklin
Summit County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

We changed our City agent for administering income tax collecting and accounting from CCA to RITA, which has drastically cut down on the complaints we were getting in the past.

Effective January 1, 2009, the municipal income tax was raised from one percent to two percent in order to continue to provide for general fund and capital improvements of the City. The Council believes that this increase is necessary for the well being for the City and its residents.

The City and the Village of Clinton (“the Village”) entered into an agreement for a dual Fire Station on the West side of the City. It will be fully operational by January 2009.

An agreement exists between the City and the Village whereas the Village contributed property and the City contributed a building to operate a joint EMS/fire station. The Village will not require the City to pay any lease payments for the use of the property during the 10 year term of the agreement. If the agreement is terminated by the Village, the Village will pay a pro-rated portion of the funds expended by the City. If the agreement is terminated by the City, the Village will be responsible for payment of the cost of the structure which amounts to \$29,000.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and 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, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,638,583
Receivables:	
Accounts	36,478
Taxes	3,240,462
Intergovernmental	1,006,300
Special Assessments	5,808
Noncurrent Assets:	
Land	739,496
Other Capital Assets, Net of Depreciation	2,604,952
<i>Total Assets</i>	11,272,079
Liabilities	
Accounts Payable	65,407
Intergovernmental Payable	181,383
Accrued Wages	144,592
Deferred Revenue	2,822,429
Claims Payable	43,350
Long Term Liabilities:	
Due Within One Year	109,523
Due In More Than One Year	555,263
<i>Total Liabilities</i>	3,921,947
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,278,567
Restricted for:	
Debt Service	2,183
Police Operating	271,847
Fire Operating	321,537
Street Maintenance and Repair	964,311
Other Purposes	465,699
Unrestricted	2,045,988
<i>Total Net Assets</i>	\$ 7,350,132

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
Governmental Activities				
General Government	\$ 1,107,541	\$ 75,349	\$ 0	\$ (1,032,192)
Security of Persons and Property	3,676,927	336,500	30,744	(3,309,683)
Public Health	125,727	25,550	0	(100,177)
Community Development	121,677	0	0	(121,677)
Transportation	1,018,638	0	788,834	(229,804)
Leisure Time	40,646	0	0	(40,646)
Interest and Fiscal Charges	4,884	0	0	(4,884)
<i>Total Governmental Activities</i>	<u>6,096,040</u>	<u>437,399</u>	<u>819,578</u>	<u>(4,839,063)</u>
<i>Totals</i>	<u>\$ 6,096,040</u>	<u>\$ 437,399</u>	<u>\$ 819,578</u>	<u>(4,839,063)</u>

General Revenues:

Property Taxes Levied for:	
General Operations	158,449
Street Maintenance and Repair	388,919
Police and Fire Operations	2,378,133
Municipal Income Taxes Levied for:	
General Operations	1,159,287
Other Purposes	50,076
Grants and Entitlements not Restricted to	
Specific Programs	1,482,727
Interest and Investment Earnings	71,218
Other	63,801
<i>Total General Revenues</i>	<u>5,752,610</u>
<i>Change in Net Assets</i>	913,547
<i>Net Assets Beginning of Year</i>	<u>6,436,585</u>
<i>Net Assets End of Year</i>	<u>\$ 7,350,132</u>

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Balance Sheet
Governmental Funds
December 31, 2008

	General	Street Maintenance and Repair	Police District	Fire District
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,498,314	\$ 636,126	\$ 280,595	\$ 534,604
Receivables:				
Accounts	36,059	0	0	0
Taxes	507,448	382,577	687,841	1,662,596
Intergovernmental	437,199	335,250	54,236	134,312
Special Assessments	0	0	0	0
<i>Total Assets</i>	<u>\$ 2,479,020</u>	<u>\$ 1,353,953</u>	<u>\$ 1,022,672</u>	<u>\$ 2,331,512</u>
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 21,323	\$ 35,130	\$ 0	\$ 1,690
Intergovernmental Payable	19,414	13,422	38,922	109,625
Accrued Wages	28,910	14,797	40,072	60,813
Deferred Revenue	722,048	617,270	740,999	1,796,908
<i>Total Liabilities</i>	<u>791,695</u>	<u>680,619</u>	<u>819,993</u>	<u>1,969,036</u>
Fund Balance				
Reserved for Encumbrances	12,861	0	762	26
Undesignated, Unreserved, Reported In:				
General Fund	1,674,464	0	0	0
Special Revenue Funds	0	673,334	201,917	362,450
Debt Service Fund	0	0	0	0
Capital Projects Funds	0	0	0	0
<i>Total Fund Balances</i>	<u>1,687,325</u>	<u>673,334</u>	<u>202,679</u>	<u>362,476</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,479,020</u>	<u>\$ 1,353,953</u>	<u>\$ 1,022,672</u>	<u>\$ 2,331,512</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, 2008*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$ 3,516,726
		<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$ 580,776	\$ 3,530,415	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	3,344,448
0	36,059		
0	3,240,462	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
45,303	1,006,300	Delinquent Property Taxes	\$ 66,449
5,808	5,808	Municipal Income Tax	240,026
		Miscellaneous	232,162
<u>\$ 631,887</u>	<u>\$ 7,819,044</u>	Intergovernmental	544,062
		Special Assessments	<u>5,808</u>
		Total	1,088,507
\$ 7,264	\$ 65,407	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.	65,237
0	181,383		
0	144,592	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
<u>33,711</u>	<u>3,910,936</u>	Compensated Absences	(598,905)
		Capital Leases	<u>(65,881)</u>
40,975	4,302,318	Total	<u>(664,786)</u>
		<i>Net Assets of Governmental Activities</i>	<u>\$ 7,350,132</u>
19,581	33,230		
0	1,674,464		
604,559	1,842,260		
2,183	2,183		
<u>(35,411)</u>	<u>(35,411)</u>		
590,912	3,516,726		
<u>\$ 631,887</u>	<u>\$ 7,819,044</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, 2008

	General	Street Maintenance and Repair	Police District	Fire District
Revenues				
Local Taxes	\$ 1,134,164	\$ 386,401	\$ 700,562	\$ 1,663,553
Intergovernmental Revenue	725,091	713,332	164,580	344,355
Fees, Licenses and Permits	73,716	0	0	0
Fines and Forfeitures	1,633	0	735	0
Special Assessments	0	0	0	0
Charges for Services	262,959	0	61,610	0
Interest Income	55,388	11,600	0	0
Gifts and Donations	0	0	4,664	725
Miscellaneous	9,438	10,036	15,966	22,972
<i>Total Revenues</i>	<u>2,262,389</u>	<u>1,121,369</u>	<u>948,117</u>	<u>2,031,605</u>
Expenditures				
Current:				
General Government	1,086,660	0	0	0
Security of Persons and Property	826,724	0	855,633	1,821,505
Public Health	110,584	0	0	0
Community Development	121,526	0	0	0
Transportation	0	902,647	0	0
Leisure Time	4,850	0	0	0
Capital Outlay	15,147	406,986	12,589	39,466
Debt Service:				
Principal Retirement	0	33,263	0	22,863
Interest and Fiscal Charges	0	1,814	0	3,070
<i>Total Expenditures</i>	<u>2,165,491</u>	<u>1,344,710</u>	<u>868,222</u>	<u>1,886,904</u>
<i>Net Change in Fund Balance</i>	96,898	(223,341)	79,895	144,701
<i>Fund Balance Beginning of Year</i>	<u>1,590,427</u>	<u>896,675</u>	<u>122,784</u>	<u>217,775</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,687,325</u>	<u>\$ 673,334</u>	<u>\$ 202,679</u>	<u>\$ 362,476</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, 2008*

Other Governmental Funds	Total Governmental Funds		\$	
		Net Change in Fund Balances - Total Governmental Funds	\$	420,985
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
\$ 50,076	\$ 3,934,756	Governmental funds report capital outlays as expenditures.		
379,100	2,326,458	However, in the statement of activities, the cost of those		
0	73,716	assets is allocated over their estimated useful lives as		
150	2,518	depreciation expense. This is the amount by which capital		
5,727	5,727	outlays exceeded depreciation in the current period.		
42,263	366,832	Capital Asset Additions	\$ 549,982	
4,230	71,218	Current Year Depreciation	<u>(242,565)</u>	
0	5,389	Total		307,417
0	58,412			
481,546	6,845,026	Revenues in the statement of activities that do not provide		
		current financial resources are not reported as revenues		
		in the funds.		
		Delinquent Property Taxes	17,562	
		Municipal Income Taxes	182,546	
8,545	1,095,205	Grants	(184,778)	
22,407	3,526,269	Intergovernmental	149,031	
15,143	125,727	Special Assessments	<u>200</u>	
0	121,526	Total		164,561
52,636	955,283			
15,488	20,338	Repayment of capital leases is an expenditure in the governmental		
44,495	518,683	funds, but the repayment reduces long-term liabilities in the		
		statement of net assets.		
0	56,126	Capital Leases		56,126
0	4,884			
158,714	6,424,041	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.		
322,832	420,985	Compensated Absences	<u>(24,765)</u>	
268,080	3,095,741	Total		(24,765)
\$ 590,912	\$ 3,516,726	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		
		funds is reported with governmental activities.		<u>(10,777)</u>
		Change in Net Assets of Governmental Activities	\$	<u>913,547</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, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 965,000	\$ 965,000	\$ 1,139,863	\$ 174,863
Intergovernmental Revenue	735,200	735,200	735,338	138
Fees Licenses and Permits	72,500	72,500	73,716	1,216
Fines and Forfeitures	800	800	1,092	292
Charges for Services	245,550	245,550	262,165	16,615
Interest Income	70,163	70,163	55,388	(14,775)
Miscellaneous	10,000	10,000	9,438	(562)
<i>Total Revenues</i>	<u>2,099,213</u>	<u>2,099,213</u>	<u>2,277,000</u>	<u>177,787</u>
Expenditures				
Current:				
General Government	1,415,378	1,415,378	1,099,509	315,869
Security of Persons and Property	946,315	946,315	811,444	134,871
Public Health	125,000	125,000	110,584	14,416
Community Development	222,300	222,300	121,602	100,698
Leisure Time	34,450	34,450	4,850	29,600
Capital Outlay	80,000	80,000	13,947	66,053
<i>Total Expenditures</i>	<u>2,823,443</u>	<u>2,823,443</u>	<u>2,161,936</u>	<u>661,507</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(724,230)	(724,230)	115,064	839,294
Other Financing Sources (Uses)				
Advances In	184,178	184,178	184,178	0
<i>Total Other Financing Sources (Uses)</i>	<u>184,178</u>	<u>184,178</u>	<u>184,178</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(540,052)	(540,052)	299,242	839,294
<i>Fund Balance Beginning of Year</i>	1,138,871	1,138,871	1,138,871	0
Prior Year Encumbrances Appropriated	26,017	26,017	26,017	0
<i>Fund Balance End of Year</i>	<u>\$ 624,836</u>	<u>\$ 624,836</u>	<u>\$ 1,464,130</u>	<u>\$ 839,294</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, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 380,000	\$ 380,000	\$ 386,401	\$ 6,401
Intergovernmental Revenue	675,000	675,000	718,362	43,362
Interest Income	6,000	6,000	11,600	5,600
Miscellaneous	2,778	2,778	10,036	7,258
<i>Total Revenues</i>	<u>1,063,778</u>	<u>1,063,778</u>	<u>1,126,399</u>	<u>62,621</u>
Expenditures				
Current:				
Transportation	1,325,387	1,325,387	955,535	369,852
Capital Outlay	570,074	576,074	406,986	169,088
<i>Total Expenditures</i>	<u>1,895,461</u>	<u>1,901,461</u>	<u>1,362,521</u>	<u>538,940</u>
<i>Net Change in Fund Balance</i>	(831,683)	(837,683)	(236,122)	601,561
<i>Fund Balance Beginning of Year</i>	599,768	599,768	599,768	0
Prior Year Encumbrances Appropriated	238,586	238,586	238,586	0
<i>Fund Balance End of Year</i>	<u>\$ 6,671</u>	<u>\$ 671</u>	<u>\$ 602,232</u>	<u>\$ 601,561</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, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 705,901	\$ 705,901	\$ 700,562	\$ (5,339)
Intergovernmental Revenue	165,000	165,000	163,502	(1,498)
Fines and Forfeitures	0	0	735	735
Charges for Services	61,610	61,610	61,610	0
Gifts and Donations	500	500	4,664	4,164
Miscellaneous	5,000	5,000	15,966	10,966
<i>Total Revenues</i>	938,011	938,011	947,039	9,028
Expenditures				
Current:				
Security of Persons and Property	1,006,164	938,664	851,891	86,773
Capital Outlay	15,000	17,500	12,589	4,911
<i>Total Expenditures</i>	1,021,164	956,164	864,480	91,684
<i>Net Change in Fund Balance</i>	(83,153)	(18,153)	82,559	100,712
<i>Fund Balance Beginning of Year</i>	197,274	197,274	197,274	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	\$ 114,121	\$ 179,121	\$ 279,833	\$ 100,712

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, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$ 1,655,000	\$ 1,655,000	\$ 1,663,553	\$ 8,553
Intergovernmental Revenue	340,000	340,000	344,355	4,355
Gifts and Donations	100	100	725	625
Miscellaneous	19,131	19,131	22,972	3,841
<i>Total Revenues</i>	<u>2,014,231</u>	<u>2,014,231</u>	<u>2,031,605</u>	<u>17,374</u>
Expenditures				
Current:				
Security of Persons and Property	2,058,206	2,093,455	1,814,744	278,711
Capital Outlay	61,450	41,200	39,466	1,734
<i>Total Expenditures</i>	<u>2,119,656</u>	<u>2,134,655</u>	<u>1,854,210</u>	<u>280,445</u>
<i>Net Change in Fund Balance</i>	(105,425)	(120,424)	177,395	297,819
<i>Fund Balance Beginning of Year</i>	342,657	342,657	342,657	0
Prior Year Encumbrances Appropriated	12,837	12,837	12,837	0
<i>Fund Balance End of Year</i>	<u>\$ 250,069</u>	<u>\$ 235,070</u>	<u>\$ 532,889</u>	<u>\$ 297,819</u>

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Governmental Activities - Internal Service Fund
	<hr/>
Assets	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 108,168
Accounts Receivable	419
	<hr/>
<i>Total Assets</i>	108,587
	<hr/>
Liabilities	
Current Liabilities	
Claims Payable	43,350
	<hr/>
<i>Total Liabilities</i>	43,350
	<hr/>
Net Assets	
Unrestricted	65,237
	<hr/>
<i>Total Net Assets</i>	\$ 65,237
	<hr/> <hr/>

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, 2008

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 769,619
Other	419
	<hr/>
<i>Total Operating Revenues</i>	<i>770,038</i>
	<hr/>
Operating Expenses	
Contractual Service	30,026
Claims	750,789
	<hr/>
<i>Total Operating Expenses</i>	<i>780,815</i>
	<hr/>
<i>Change in Net Assets</i>	<i>(10,777)</i>
	<hr/>
<i>Net Assets at Beginning of Year</i>	<i>76,014</i>
	<hr/>
<i>Net Assets at the End of the Year</i>	<i>\$ 65,237</i>
	<hr/> <hr/>

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, 2008

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 769,619
Cash Paid for Goods and Services	(30,026)
Cash Paid for Claims	(744,051)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(4,458)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(4,458)
<i>Cash and Cash Equivalents at Beginning of Year</i>	112,626
<i>Cash and Cash Equivalents at End of Year</i>	\$ 108,168
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	\$ (10,777)
Adjustments:	
(Increase) Decrease in Assets:	
Accounts Receivable	(419)
Increase (Decrease) in Liabilities:	
Claims Payable	6,738
<i>Total Adjustments</i>	6,319
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (4,458)

See accompanying notes to the basic financial statements.

City of New Franklin, Summit County
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 10,501</u>
<i>Total Assets</i>	<u><u>\$ 10,501</u></u>
Liabilities	
Undistributed Monies	<u>\$ 10,501</u>
<i>Total Liabilities</i>	<u><u>\$ 10,501</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB Statement No. 50, "Pension Disclosures".

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. GASB Statement No. 49 provides guidance on calculating and reporting the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

The implementation of GASB Statement No. 45, No. 49, and No. 50 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.

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.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 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

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008, but which were levied to finance year 2009 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 during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 2008. The actual figures represent the year ended December 31, 2008.

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. The actual figures represent the year ended December 31, 2008.

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 2008, 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 2008 amounted to \$55,388, which includes \$27,112, 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.

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

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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
For the Year Ended December 31, 2008

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 2008.

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, 2008

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)

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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,
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 \$(26,673) and the bank balances of the deposits totaled \$35,924. The entire bank balance was covered by depository insurance.

Investments

Investments are reported at fair value. As of December 31, 2008, the City had the following investments:

Standard & Poor's	Investment	Fair Value	Investment Maturity Less than One Year	Total Investments
N/A *	Repurchase Agreement	\$ 3,675,757	\$ 3,675,757	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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 \$3,675,757 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).
4. Unreported cash (cash on hand) represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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 Fund and Fire District Fund.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Net Change in Fund Balance			
	General	Street Maintenance and Repair	Police District	Fire District
GAAP Basis (as reported)	\$ 96,898	\$ (223,341)	\$ 79,895	\$ 144,701
Adjustments:				
Net adjustment for revenue accruals	14,611	5,030	(1,078)	0
Other financing sources	184,178	0	0	0
Net adjustment for expenditure accruals	37,739	16,083	4,504	34,410
			0	
Encumbrances	<u>(34,184)</u>	<u>(33,894)</u>	<u>(762)</u>	<u>(1,716)</u>
Budget basis	<u>\$ 299,242</u>	<u>\$ (236,122)</u>	<u>\$ 82,559</u>	<u>\$ 177,395</u>

Note 5 – Receivables

Receivables at December 31, 2008, 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 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. For 2008, tangible personal property is assessed at 6.25% for property including inventory. This percentage will be reduced zero for 2009.

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 will be eliminated by 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.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

The full tax rate for all City operations for the year ended December 31, 2008 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 \$9.86 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$11.19 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 2008 property tax receipts were based are as follows:

Real Property - 2008 Valuation		
Residential/agricultural	\$ 301,895,740	94.62%
Commercial/industrial	17,179,540	5.38%
	\$ 319,075,280	100.00%
Tangible Personal Property - 2007 Valuation		
General and public utilities	\$ 11,784,643	

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.

Tangible personal property taxes 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 at September 20. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25%. This will be reduced to zero for 2009.

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 and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2008. 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 2008 operations. The receivable is offset by deferred revenue.

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 March 3, 2006, the income tax rate was 1.0%. 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 1.0% rate for 2008 and remit the tax to the City

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

either monthly or quarterly, as required. All businesses located in or doing business in the City must file a net profit estimate for 2008 using the 1.0% rate.

All residents, 16 years of age and over, working outside the City are subject to the 1.0% 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 1.0%.

Income tax revenues are allocated based on City ordinance. The parks and recreation fund gets 5% of the collections and the balance goes to the general fund. In 2008, 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>
Governmental Activities:	
Local Government	\$ 308,579
Auto Registration	61,889
Permissive Tax	5,688
Gasoline Tax	277,662
Estate Tax	115,683
Homestead Rollback	232,162
Grants	<u>4,637</u>
Total	<u><u>\$ 1,006,300</u></u>

Taxes Receivable

A summary of taxes receivables follows:

	<u>Amount</u>
Governmental Activities:	
Real Estate and Personal Property Tax	\$ 2,888,878
Municipal Income Tax	<u>351,584</u>
Total	<u><u>\$ 3,240,462</u></u>

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 6 – Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance 12/31/07	Additions	Reductions	Balance 12/31/08
Governmental Activities				
<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	1,054,213	55,656	0	1,109,869
Furniture and Equipment	1,263,506	107,908	(87,010)	1,284,404
Vehicles	1,891,935	386,418	(112,437)	2,165,916
Infrastructure	84,207	0	0	84,207
Total Capital Assets, being depreciated	4,293,861	549,982	(199,447)	4,644,396
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(160,782)	(26,408)	0	(187,190)
Furniture and Equipment	(530,748)	(77,768)	87,010	(521,506)
Vehicles	(1,302,691)	(134,178)	112,437	(1,324,432)
Infrastructure	(2,105)	(4,211)	0	(6,316)
Total Accumulated Depreciation	(1,996,326)	(242,565)	199,447	(2,039,444)
Total Capital Assets being depreciated, net	2,297,535	307,417	0	2,604,952
Governmental Activities Capital Assets, Net	\$ 3,037,031	\$ 307,417	\$ 0	\$ 3,344,448

Depreciation expense was charged to programs as follows:

<i>Governmental Activities:</i>	
General Government	\$ 20,779
Transportation	71,378
Leisure	367
Security of Persons and Property	150,041
Total	\$ 242,565

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008, 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 2008 was 14.0%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4% of covered payroll. For 2008, a portion of the City's contribution equal to 7.0% of covered payroll was allocated to fund the post-employment health care plan. 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%.

The City's required contributions for pension obligations were made only to the traditional plan. The contributions for the years ended December 31, 2008, 2007, and 2006 were \$117,369, \$137,802, and \$137,197 respectively; 93 percent has been contributed for 2008 and 100 percent for 2007 and 2006. 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.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations. The City's contribution was 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. For 2008, 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 \$12,472 and \$137,775 for the year ended December 31, 2008, \$13,934 and \$193,554 for the year ended December 31, 2007 and \$3,461 and \$185,956 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 70% has been contributed for 2008.

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 2008, local government employers contributed 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, the OPERS retirement board 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 percent of covered payroll for 2008.

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 plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$101,797, \$77,945, and \$67,114 respectively; 93 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 healthcare 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 the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare 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).

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 \$6,603 and \$53,912 for the year ended December 31, 2008, \$4,821 and \$54,389 for the year ended December 31, 2007, and \$1,374 and \$60,064 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 70 percent has been contributed for firefighters for 2008.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

Employees earn sick leave at the rate of 1-1/4 hours for each calendar month of service. Currently, the maximum sick leave accumulation for firefighters is 4,134 hours, for patrolmen is 50% of their accumulation up to 200 hours and for non union employees it is 66% of their accumulation up to 240 hours. Sick leave is paid out at retirement and not at termination except for patrolmen with at least 10 years of service who will be paid 20% of their accumulation.

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

Note 10 – Long Term Obligations

Long term liability activity for the year ended December 31, 2008 was as follows:

	Balance 12/31/07	Additions	Reductions	Balance 12/31/08	Due Within One Year
<i>Long Term Obligations</i>					
Capital Lease	122,007	0	56,126	65,881	41,014
Compensated Absences	574,140	87,935	63,170	598,905	68,509
Total Long Term Obligations	\$ 696,147	\$ 87,935	\$ 119,296	\$ 664,786	\$ 109,523

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 by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". 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, 2008.

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Year	Amount
2009	\$ 43,473
2010	25,934
Total Minimum Lease Payments	69,407
Less Amount Representing Interest	3,526
Present Value of Minimum Lease Payments	\$ 65,881

The assets being acquired have been capitalized in the governmental activities in the amount of \$806,486, 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.

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 an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP’s retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal 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, 2007 and 2006 (latest information available):

	2007	2006
Assets	\$ 37,560,071	\$ 36,123,194
Liabilities	17,340,825	16,738,904
Net Assets	\$ 20,219,246	\$ 19,384,290

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$168,718. 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
2006	\$ 78,075
2007	87,025
2008	84,359

City of New Franklin, Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

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, 2008, a total expense of \$780,815 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000. The liability for unpaid claims cost of \$43,350 reported in the fund at December 31, 2008 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 2008 and 2007 was:

		<u>Beginning Balance</u>	<u>Claims</u>	<u>Claim Payments</u>		<u>Ending Balance</u>
2008	\$	36,612	750,789	744,051	\$	43,350
2007		33,889	870,090	867,367		36,612

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, 2008

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.

This page intentionally left blank.



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, 2008, which collectively comprise the City's basic financial statement and have issued our report thereon dated August 7, 2009. 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 expressing our opinion on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the City's management in a separate letter dated August 7, 2009.

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 noncompliance or other matters that we reported to the City's management in a separate letter dated August 7, 2009.

We intend this report solely for the information and use of management and City Council. 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 7, 2009

CITY OF NEW FRANKLIN
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Material Weakness – Financial Reporting	No	Partially Corrected - See Management Letter



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
SEPTEMBER 15, 2009**