



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY

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**Mary Taylor, CPA**  
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Mary Taylor, CPA**  
Auditor of State

October 22, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of New Franklin, Summit County, Ohio, (the Village) as of and for the period January 1, 2005 through March 5, 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the period January 1, 2005 through March 5, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of March 5, 2006, or its changes in financial position or cash flows, where applicable, for the period then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of New Franklin, Summit County, as of March 5, 2006, and its combined cash receipts and disbursements for the period then ended on the accounting basis Note 1 describes.

As described in Note 9, the Village became a City March 6, 2006.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2007, on our consideration of the Village'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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 22, 2007



**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$148,996	\$3,465,864			\$3,614,860
Municipal Income Tax	135,204				135,204
Intergovernmental	853,067	1,147,767		\$19,288	2,020,122
Special Assessments		2,663			2,663
Charges for Services	85,077	90,892			175,969
Fines, Licenses and Permits	106,027	1,103			107,130
Earnings on Investments	31,437	17,049			48,486
Miscellaneous	75,022	69,263			144,285
<b>Total Cash Receipts</b>	<b>1,434,830</b>	<b>4,794,601</b>		<b>19,288</b>	<b>6,248,719</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	9,022				9,022
Public Health Services	100,397				100,397
Personal Service	576,292	2,017,157			2,593,449
Fringe Benefits	333,386	939,427			1,272,813
Material and Supplies	28,215	313,701			341,916
Basic Utility Service	11,879	43,491			55,370
Contractual Services	203,328	328,698		129,514	661,540
Other Operating Expenses	17,310				17,310
Capital Outlay	24,015	214,086			238,101
<b>Total Cash Disbursements</b>	<b>1,303,844</b>	<b>3,856,560</b>		<b>129,514</b>	<b>5,289,918</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>130,986</b>	<b>938,041</b>		<b>(110,226)</b>	<b>958,801</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In		5,374		19,079	24,453
Transfers-Out	(19,079)	(5,374)			(24,453)
Advances-In		30,000			30,000
Advances-Out	(30,000)				(30,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(49,079)</b>	<b>30,000</b>		<b>19,079</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	81,907	968,041		(91,147)	958,801
Fund Cash Balances, January 1	178,229	767,760	\$2,183	200,194	1,148,366
<b>Fund Cash Balances, March 5, 2006</b>	<b>\$260,136</b>	<b>\$1,735,801</b>	<b>\$2,183</b>	<b>\$109,047</b>	<b>\$2,107,167</b>
Reserve for Encumbrances, March 5, 2006	\$89,165	\$666,346	\$0	\$89,184	\$844,695

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$803,422	\$17,090	\$820,512
Miscellaneous		33,892	33,892
Total Operating Cash Receipts	<u>803,422</u>	<u>50,982</u>	<u>854,404</u>
<b>Operating Cash Disbursements:</b>			
Claims	845,550		845,550
Contractual Services		51,319	51,319
Operating Income/(Loss)	(42,128)	(337)	(42,465)
Fund Cash Balances, January 1	<u>73,708</u>	<u>37,279</u>	<u>110,987</u>
<b>Fund Cash Balances, March 5, 2006</b>	<b><u>\$31,580</u></b>	<b><u>\$36,942</u></b>	<b><u>\$68,522</u></b>
Reserve for Encumbrances, March 5, 2006	<u>\$31,580</u>	<u>\$11,664</u>	<u>\$43,244</u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of New Franklin, Summit County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, security of persons and property, zoning inspections, road maintenance and emergency medical services.

The Village participates in the Public Entities Pool of Ohio (PEP). Note 8 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

During the year and at year-end, investments were limited to repurchase agreements. Investments are reported at fair value, which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police District Fund – This fund primarily receives property taxes to fund police services for the Village.

Fire District Fund – This fund primarily receives property taxes to fund fire and emergency medical services for the Village.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Municipal Building Construction Fund – This fund received general fund monies for the construction of a new municipal building.

**4. Internal Service Fund**

This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

Self-funded Insurance Medical Fund – This fund receives insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's most significant agency fund accounts for the use of the Franklin Park Civic Center.

**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Equity in Pooled Cash and Investments**

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at March 5, 2006 was as follows:

	03/05/06
Demand deposits	<u>\$216,840</u>
Repurchase agreement	<u>1,958,848</u>
Total deposits and investments	<u><u>\$2,175,688</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006  
(Continued)**

**3. Budgetary Activity**

For presentation purposes the amounts below represent budget activity for the period January 1, 2005 through December 31, 2005 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,162,695	\$1,170,700	\$8,005
Special Revenue	3,466,985	3,563,990	97,005
Debt Service	0	0	0
Capital Projects	82,079	19,079	(63,000)
Internal Service	600,000	736,783	136,783
Agency	62,500	46,767	(15,733)
Total	\$5,374,259	\$5,537,319	\$163,060

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,264,886	\$1,242,724	\$22,162
Special Revenue	4,204,464	3,893,387	311,077
Debt Service	2,183	0	2,183
Capital Projects	219,273	218,698	575
Internal Service	673,708	673,694	14
Agency	52,500	47,983	4,517
Total	\$6,417,014	\$6,076,486	\$340,528

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. Local Income Tax**

Effective September 1, 2005, the Village levied a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006  
(Continued)**

**5. Local Income Tax (Continued)**

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. Debt**

Debt outstanding at March 5, 2006 was as follows:

	Principal	Interest Rate
Loan Payable	\$147,706	4.25%
Capital Lease	112,860	
Total	\$260,566	

The Village issued general obligation notes to finance the purchase of equipment for the Police and Fire Departments. This note matured on March 14, 2006. Capital lease obligations relate to equipment which is leased under a long-term agreement. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases".

Amortization of the above debt is scheduled as follows:

	Capital Leases	General Obligation Notes
Year ending December 31:		
2006	\$30,550	\$147,706
2007	31,877	
2008	33,263	
2009	17,170	
Total	\$112,860	\$147,706

**7. Retirement Systems**

The Village's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees, including full-time Police Officers, belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, OP&F participants contributed 10% of their wages. For 2005, the Village contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2005, OPERS members contributed 8.5% for local employees and 10.1% full-time police officers, of their gross salaries and the Village contributed an amount equaling 13.55 and 16.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through March 5, 2006.

**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006  
(Continued)**

**8. Risk Management**

The Village 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 per 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 per 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

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.



**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006  
(Continued)**

**8. Risk Management (Continued)**

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, 2005:

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$29,719,675
Liabilities	<u>(15,994,168)</u>
Retained earnings	<u>\$13,725,507</u>
<u>Property Coverage</u>	<u>2005</u>
Assets	\$4,443,332
Liabilities	<u>(1,068,245)</u>
Retained earnings	<u>\$3,375,087</u>

At December 31, 2005, casualty coverage liabilities noted above include approximately \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2005. 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 \$146,562. This payable includes the subsequent year's contribution due if the Village 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.

**Contributions to PEP**

2005	\$73,281
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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

**VILLAGE OF NEW FRANKLIN  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD JANUARY 1, 2005 THROUGH MARCH 5, 2006  
(Continued)**

**8. Risk Management (Continued)**

Medical Coverage

The Village 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, 2005, a total expense of \$545,550 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000.

**9. City Status**

The electors of New Franklin changed New Franklin from a Village to a City form of government effective March 6, 2006.



# 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

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

To the Village Council:

We have audited the financial statements of the Village of New Franklin, Summit County, Ohio, (the Village) as of and for the period January 1, 2005 through March 5, 2006, and have issued our report thereon dated October 22, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village became a City March 6, 2006. 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 Village'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 Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village'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 Village'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 Village'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 Village'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 Village's management in a separate letter dated October 22, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village'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 Village's management in a separate letter dated October 22, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

October 22, 2007



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF NEW FRANKLIN**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2007**