

***FREEDOM TOWNSHIP***

**PORTAGE COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2013 and 2012**







# Dave Yost • Auditor of State

Board of Trustees  
Freedom Township  
8966 State Route 700  
Ravenna, Ohio 44266

We have reviewed the *Independent Auditors' Report* of Freedom Township, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Freedom Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 29, 2014

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**FREEDOM TOWNSHIP**  
**PORTAGE COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2013 and 2012**

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**INDEPENDENT AUDITORS' REPORT**

Freedom Township  
Portage County  
8966 State Route 700  
Ravenna, Ohio 44266

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Freedom Township, Portage County, (the Township) as of and for the years ended December 31, 2013 and 2012.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Freedom Township, Portage County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

*Charles E. Harris*

***Charles E. Harris & Associates, Inc.***  
July 30, 2014

**FREEDOM TOWNSHIP  
PORTAGE COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2013**

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
<b>Receipts:</b>			
Local Taxes	\$ 86,440	\$ 25,932	\$ 112,372
Licenses, Permits and Fees	4,657	8,000	12,657
Intergovernmental	72,208	117,073	189,281
Earnings on Investments	498	301	799
Miscellaneous	26,598	3,048	29,646
<b>Total Receipts</b>	<b>190,401</b>	<b>154,354</b>	<b>344,755</b>
<b>Disbursements:</b>			
General Government	175,326	9,104	184,430
Public Works	2,050	157,129	159,179
Health	4,821	7,227	12,048
Conservation/Recreation	7,007	1,981	8,988
Capital Outlay	2,931	-	2,931
<b>Debt Service:</b>			
Principal Retirement	-	10,209	10,209
Interest & Fiscal Charges	-	383	383
<b>Total Disbursements</b>	<b>192,135</b>	<b>186,033</b>	<b>378,168</b>
<b>Receipts Over/(Under) Disbursements</b>	<b>(1,734)</b>	<b>(31,679)</b>	<b>(33,413)</b>
<b>Other Financing Sources/(Uses):</b>			
Transfers In	-	16,000	16,000
Transfers Out	(16,000)	-	(16,000)
Advances In	-	30,000	30,000
Advances Out	(30,000)	-	(30,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>(46,000)</b>	<b>46,000</b>	<b>-</b>
<b>Excess Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<b>(47,734)</b>	<b>14,321</b>	<b>(33,413)</b>
<b>Fund Balance, January 1, 2013</b>	<b>116,933</b>	<b>117,476</b>	<b>234,409</b>
<b>Fund Balance</b>			
Restricted	-	131,797	131,797
Unassigned	69,199	-	69,199
<b>Fund Balance, December 31, 2013</b>	<b>\$ 69,199</b>	<b>\$ 131,797</b>	<b>\$ 200,996</b>

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



**FREEDOM TOWNSHIP  
PORTAGE COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2012**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Local Taxes	\$ 87,965	\$ 26,389	\$ 114,354
Charges for Services	-	792	792
Licenses, Permits and Fees	4,080	16,696	20,776
Intergovernmental	76,888	113,671	190,559
Earnings on Investments	712	224	936
Miscellaneous	20,411	384	20,795
<b>Total Receipts</b>	<u>190,056</u>	<u>158,156</u>	<u>348,212</u>
<b>Disbursements:</b>			
General Government	207,469	9,207	216,676
Public Works	3,720	128,091	131,811
Health	-	6,448	6,448
Conservation/Recreation	7,873	350	8,223
<b>Debt Service:</b>			
Principal Retirement	-	5,456	5,456
Interest & Fiscal Charges	-	899	899
<b>Total Disbursements</b>	<u>219,062</u>	<u>150,451</u>	<u>369,513</u>
<b>Receipts Over/(Under) Disbursements</b>	<u>(29,006)</u>	<u>7,705</u>	<u>(21,301)</u>
<b>Other Financing Sources/(Uses):</b>			
Transfers In	-	16,306	16,306
Transfers Out	(16,306)	-	(16,306)
<b>Total Other Financing Sources/(Uses)</b>	<u>(16,306)</u>	<u>16,306</u>	<u>-</u>
<b>Excess Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses</b>	<u>(45,312)</u>	<u>24,011</u>	<u>(21,301)</u>
<b>Fund Balance, January 1, 2012</b>	<u>162,245</u>	<u>93,465</u>	<u>255,710</u>
<b>Fund Balance</b>			
Restricted	-	117,476	117,476
Unassigned	116,933	-	116,933
<b>Fund Balance, December 31, 2012</b>	<u>\$ 116,933</u>	<u>\$ 117,476</u>	<u>\$ 234,409</u>

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

FREEDOM TOWNSHIP  
PORTAGE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Freedom Township, Portage County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a Fiscal Officer. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

FREEDOM TOWNSHIP  
PORTAGE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

- *Road and Bridge Fund* – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- *Gasoline Tax Fund* – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township Board of Trustees, and submitted to the county auditor, 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.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate and submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2013 and 2012. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

FREEDOM TOWNSHIP  
PORTAGE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS - (continued)

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

H. FUND BALANCE

Fund balance is divided into classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

Trustees can commit amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

FREEDOM TOWNSHIP  
 PORTAGE COUNTY, OHIO  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

H. FUND BALANCE (continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2013	2012
Demand Deposits	\$ 200,996	\$ 234,409

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees 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.

Public utilities are also taxed on personal and real property located within the Township.

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

FREEDOM TOWNSHIP  
 PORTAGE COUNTY, OHIO  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2013 and 2012

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 307,365	\$ 238,135	\$ 69,230
Special Revenue	332,862	186,033	146,829
Total	\$ 640,227	\$ 424,168	\$ 216,059

2013 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 190,432	\$ 190,401	\$ (31)
Special Revenue	215,386	200,354	(15,032)
Total	\$ 405,818	\$ 390,755	\$ (15,063)

2012 Budgeted vs Actual Budgetary Basis Disbursements			
Funds	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 341,863	\$ 235,368	\$ 106,495
Special Revenue	289,501	150,451	139,050
Total	\$ 631,364	\$ 385,819	\$ 245,545

2012 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 183,120	\$ 190,056	\$ 6,936
Special Revenue	196,036	174,462	(21,574)
Total	\$ 379,156	\$ 364,518	\$ (14,638)

FREEDOM TOWNSHIP  
 PORTAGE COUNTY, OHIO  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2013 and 2012

5. RETIREMENT SYSTEM

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% in 2012 and in 2013 of their gross pay while the Township contributed an amount equal to 14% of covered payroll for both years. The Township paid all required contributions through 2013.

6. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. York functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims. The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA'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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Assets	\$26,467,923	\$25,416,188

FREEDOM TOWNSHIP  
 PORTAGE COUNTY, OHIO  
 Notes to the Financial Statements  
 For the Years Ended December 31, 2013 and 2012

6. RISK MANAGEMENT – (continued)

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$10,000.

Based on discussions with OTARMA, the expected rates OTARMA 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 OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$18,173	\$15,358

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

7. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

8. TRANSFERS

During 2012 and 2013, the Township made various transfers and advances to subsidize operations and to provide for expenditures. Certain transfers and advances were not approved on a timely basis, contrary to Ohio Revised Code sections 5705.14, 5705.15, and 5705.16.

9. PRIOR PERIOD ADJUSTMENTS

Reconciling errors in the prior audit cause the following restatements:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund cash balance, December 31, 2011	\$160,706	\$91,504
Adjustments	1,539	1,961
Fund Cash Balance January 1, 2012	\$162,245	\$93,465



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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Freedom Township  
Portage County  
8966 State Route 700  
Ravenna, Ohio 44266

To the Township Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Freedom Township, Portage County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated July 30, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-FT-01 and 2013-FT-02 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the schedule of findings as item 2013-FT-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 30, 2014.

***Entity's Response to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***CHARLES E. HARRIS & ASSOCIATES, INC.***  
July 30, 2014

FREEDOM TOWNSHIP  
PORTAGE COUNTY

SCHEDULE OF FINDINGS  
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2013-FT-01 – Material Weakness

**Improper Recording of Transactions**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01 and the Ohio Township Handbook. We noted various transactions posted to incorrect receipt and disbursement line items including, but not limited to:

- Franchise Fees recorded as Miscellaneous instead of Licenses, Permits and Fees in 2012 and 2013;
- Homestead and rollback receipts recorded as Property and Other Taxes instead of Intergovernmental in the General Fund in 2012 and 2013;
- Cemetery lot purchases were recorded as Miscellaneous revenue instead of License, permits and fees
- Culvert installation fees were recorded as Miscellaneous revenue instead of Charges for services
- Debt principal and interest for the Ford Truck was not properly recorded per the actual payments

The accompanying financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management review all its transactions and draft financial statements. Such a review should include procedures to ensure that all receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01, the Ohio Township Handbook and UAN for guidance to determine the proper classification of receipt and disbursement accounts and posting of transactions.

Officials' Response:

Starting in 2014, I have been documenting everything better. I am more comfortable with the programs and I feel I am more careful with my transactions. I will be furnishing information to the Board on a timely basis. I am referring more to my manuals, LGS and AOS for assistance when needed or when I am confused or in doubt.

FREEDOM TOWNSHIP  
PORTAGE COUNTY

SCHEDULE OF FINDINGS - continued  
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2013-FT-02 – Material Weakness

**Bank Reconciliations**

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statements and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For January 1, 2012 through December 31, 2013, the Township did not resolve various differences between the adjusted bank balance and the balance reflected within the Township's accounting records. The annual report for this fiscal year was filed with the Auditor of State with this unresolved difference.

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month, and the Township Board should sign and date the bank reconciliations to indicate that they have been reviewed.

Officials' Response:

More effort will be put into finding the differences and possibly getting help from the bank also. Continued documentation and follow through will be worked on for better accountability.

Finding Number: 2013-FT-03 - Noncompliance

**Approval of Transfers**

Ohio Rev. Code Section 5705.14, 5705.15, and 5705.16 states that no transfer can be made from one fund of a subdivision to any other fund, except money may be transferred from the general fund to any fund of the subdivision by resolution of the taxing authority or from one fund to another as is specifically authorized in Ohio Rev. Code Section 5705.14. During 2012 and 2013, the Township made numerous transfers and advances prior to the Board of Trustees approving the resolution authorizing the transactions.

We recommend the Township refer to the Ohio Revised Code Section 5705.14, 5705.15, and 5705.16 prior to making transfers and advances accordingly and have the Board of Trustees approve all transfers and advances.

FREEDOM TOWNSHIP  
PORTAGE COUNTY

SCHEDULE OF FINDINGS - continued  
December 31, 2013 and 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2013-FT-03 – Noncompliance - continued

Officials' Response:

The Freedom Board of Trustees will be reviewing reports more often and will require the fiscal officer to provide any information to them for monitoring the accounts and disbursements. Better support of the fiscal officer as far as money transfers and advances monitoring will be done in accordance with the ORC.

**FREEDOM TOWNSHIP  
PORTAGE COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

The prior audit report, for the years ending December 31, 2011 and 2010, reported no material citations or recommendations.



# Dave Yost • Auditor of State

**FREEDOM TOWNSHIP**

**PORTAGE 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 11, 2014**