



**FREEDOM TOWNSHIP  
PORTAGE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1999-1998**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Freedom Township  
Portage County  
7827 King Road  
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying financial statements of Freedom Township, Portage County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2000 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 grants.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

April 28, 2000



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$40,280	\$44,823	\$85,103
Intergovernmental	78,479	64,001	142,480
Licenses, Permits, and Fees		6,228	6,228
Earnings on Investments	3,706	477	4,183
Other Revenue	16,489	450	16,939
	<u>138,954</u>	<u>115,979</u>	<u>254,933</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
General Government	101,463	7,788	109,251
Public Works	7,054	95,604	102,658
Health	2,903	10,425	13,328
Conservation - Recreation	7,853		7,853
Capital Outlay	1,000	400	1,400
	<u>120,273</u>	<u>114,217</u>	<u>234,490</u>
<b>Total Cash Disbursements</b>			
Total Receipts Over Disbursements	<u>18,681</u>	<u>1,762</u>	<u>20,443</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		6,000	6,000
Transfers-Out	(6,000)		(6,000)
Other Uses	(16,000)		(16,000)
	<u>(22,000)</u>	<u>6,000</u>	<u>(16,000)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(3,319)	7,762	4,443
Fund Cash Balances, January 1	<u>103,334</u>	<u>45,349</u>	<u>148,683</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$100,015</u></b>	<b><u>\$53,111</u></b>	<b><u>\$153,126</u></b>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$40,233	\$43,594		\$83,827
Intergovernmental	72,699	60,088	\$48,665	181,452
Licenses, Permits, and Fees		6,743		6,743
Earnings on Investments	8,062	814		8,876
Other Revenue	14,369	2,114		16,483
	<u>135,363</u>	<u>113,353</u>	<u>48,665</u>	<u>297,381</u>
<b>Total Cash Receipts</b>				
	<u>135,363</u>	<u>113,353</u>	<u>48,665</u>	<u>297,381</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	90,679	6,236		96,915
Public Works	5,461	127,572		133,033
Health	4,397	5,831		10,228
Conservation - Recreation	4,529			4,529
Capital Outlay	68,625	564	48,665	117,854
	<u>173,691</u>	<u>140,203</u>	<u>48,665</u>	<u>362,559</u>
<b>Total Cash Disbursements</b>				
	<u>173,691</u>	<u>140,203</u>	<u>48,665</u>	<u>362,559</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(38,328)</u>	<u>(26,850)</u>		<u>(65,178)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		44,000		44,000
Transfers-Out	(44,000)			(44,000)
Other Uses	(6,000)			(6,000)
	<u>(50,000)</u>	<u>44,000</u>		<u>(6,000)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>(50,000)</u>	<u>44,000</u>		<u>(6,000)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(88,328)</u>	<u>17,150</u>		<u>(71,178)</u>
<b>Fund Cash Balances, January 1</b>	<u>191,662</u>	<u>28,199</u>		<u>219,861</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$103,334</u></u>	<u><u>\$45,349</u></u>		<u><u>\$148,683</u></u>
<b>Reserve for Encumbrances, December 31</b>		<u><u>\$642</u></u>		<u><u>\$642</u></u>

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



**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Freedom Township, Portage County, (the Township) is a body corporate and politic established to exercise 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. The Township provides general governmental services, including road and bridge maintenance and cemetery services.

The Township provides fire protection to its residents through the Garrettsville-Freedom-Nelson Joint Fire District, which is directed by an appointed three-member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions are the Village of Garrettsville, Freedom Township, and Nelson Township.

The Township provides ambulance service to its residents through the Community Emergency Medical Service District, which is directed by an appointed three-member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions are the Village of Garrettsville, Freedom Township, and Nelson Township.

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

**B. Basis of Accounting**

These financial statements follow 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).

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

**C. Cash and Investments**

The Township's certificate of deposit is valued at cost. The overnight sweep account (repurchase agreement) with the Township's financial institution is valued at amounts reported by the bank.

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds**

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

*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.

*Permissive Motor Vehicle License Fund* - This fund receives Township and County levied tax money to pay for constructing, maintaining and repairing Township roads.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township's significant capital project fund, in 1998, was the Issue II Fund - The Township received a grant from the State of Ohio for the Wygle Road construction project.

**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 fund level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as a liability under the basis of accounting used by the Township.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$832	\$148,683
Certificates of deposit	50,000	
Total deposits	50,832	148,683
Overnight Sweep (repurchase agreement)	102,294	
Total investments	102,294	
Total deposits and investments	\$153,126	\$148,683

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

**Investments:** The overnight sweep account is an uninsured and unregistered investment for which the securities are held by the counterparty or by its trust department or agent but not in the Township's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,555	\$138,954	(\$101,601)
Special Revenue	246,555	121,979	(124,576)
Total	\$487,110	\$260,933	(\$226,177)

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$142,274	\$142,273	\$1
Special Revenue	114,217	114,217	0
Total	\$256,491	\$256,490	\$1

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$201,237	\$135,363	(\$65,874)
Special Revenue	171,504	157,353	(14,151)
Capital Projects	67,200	48,665	(18,535)
Total	\$439,941	\$341,381	(\$98,560)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$223,691	\$223,691	\$0
Special Revenue	140,203	140,845	(642)
Capital Projects	48,665	48,665	0
Total	\$412,559	\$413,201	(\$642)

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

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 Township.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Promissory Note	\$66,638	4.27%

The promissory note was issued to finance the purchase of land to be used for the Township to develop a park. The notes are collateralized solely by the Township's taxing authority.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Promissory Note
2000	16,348
2001	15,643
2002	14,969
2003	14,324
2004	13,885
Total	\$75,169

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a 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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Auto Coverage
- Governmental General Liability Coverage
- Premises Med. Payments Coverage
- Legal Liability for Property of Others
- Officials Liability
- Stop Gap Liability Coverage
- Employee Benefits Liability Coverage
- Special Events Liability Coverage
- Underground Gasoline & Diesel
- Fuel Storage Tanks Pollution
- Cemetery Professional Liability

The Township also provides health insurance to full-time employees through a private carrier.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Freedom Township  
Portage County  
7827 King Road  
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying financial statements of Freedom Township, Portage County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 28, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1999-41167-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 28, 2000.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, sweeping flourish at the end.

**Jim Petro**  
Auditor of State

April 28, 2000



**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-41167-001**

During testing we noted certain immaterial instances of noncompliance pertaining to the budgetary requirements established by the Ohio Rev. Code, which indicate a general weakness in internal control over budgetary process.

This weakness may hinder the ability of the Township to materially comply with budgetary requirements established by the Ohio Rev. Code. Additionally, complying with these budgetary requirements serves to improve internal control over financial management and financial reporting.

We recommend the Township become familiar with the applicable budgetary requirements of the Ohio Rev. Code. To obtain a basic understanding of the more significant budgetary provisions applicable to the Township, the Township should review Chapter 1 of the *Ohio Compliance Supplement*, prepared by the Auditor of State. The Township should review its budgetary process and design policies and procedures to help ensure compliance with the applicable budgetary requirements. As part of its budgetary process, the Township should monitor budget and actual balances on a regular basis (e.g., monthly) and amend the budget when it becomes necessary to do so. The Township should also consider utilizing the checklist provided by the County Auditor which identifies when certain budgetary items are due.





STATE OF OHIO  
OFFICE OF THE AUDITOR

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**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  
MAY 30, 2000**