



**FREEPORT TOWNSHIP  
HARRISON 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

Freeport Township  
Harrison County  
P.O. Box 235  
High Street  
Freeport, Ohio 43973

To the Board of Trustees:

We have audited the accompanying financial statements of Freeport Township, Harrison County, Ohio (the Township) as of and for the years ended December 31, 1999 and December 31, 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 Freeport Township as of December 31, 1999 and December 31, 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 March 24, 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 the audit committee, management and the Board of Trustees 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.

**Jim Petro**  
Auditor of State

March 24, 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	\$8,143	\$26,144	\$34,287
Intergovernmental	12,758	74,482	87,240
Earnings on Investments	715	871	1,586
Other Revenue	216	0	216
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	21,832	101,497	123,329
<b>Cash Disbursements:</b>			
Current:			
General Government	23,122	0	23,122
Public Safety	0	12,457	12,457
Public Works	739	78,233	78,972
Health	271	7,385	7,656
Debt Payment	0	20,000	20,000
Capital Outlay	0	11,760	11,760
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	24,132	129,835	153,967
Total Receipts (Under) Disbursements	<hr/> (2,300)	<hr/> (28,338)	<hr/> (30,638)
<b>Other Financing Receipts:</b>			
Proceeds from Sale of Public Debt:			
Sale of Notes	0	5,018	5,018
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	0	5,018	5,018
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(2,300)	(23,320)	(25,620)
Fund Cash Balances, January 1	14,696	80,060	94,756
<b>Fund Cash Balances, December 31</b>	<b><u>\$12,396</u></b>	<b><u>\$56,740</u></b>	<b><u>\$69,136</u></b>
Reserve for Encumbrances, December 31	<u>\$92</u>	<u>\$109</u>	<u>\$201</u>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES -  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>Fiduciary Fund Types</b>
	<b>Non-Expendable Trust</b>
<b>Operating Cash Receipts:</b>	
Interest	\$26
Total Operating Cash Receipts	26
Fund Cash Balances, January 1	526
<b>Fund Cash Balances, December 31</b>	<b>\$552</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**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Local Taxes	\$7,443	\$23,856	\$31,299
Intergovernmental	13,679	91,742	105,421
Earnings on Investments	896	1,154	2,050
Other Revenue	3,735	764	4,499
 Total Cash Receipts	 25,753	 117,516	 143,269
<b>Cash Disbursements:</b>			
Current:			
General Government	28,389	0	28,389
Public Safety	0	12,420	12,420
Public Works	671	49,029	49,700
Health	572	7,909	8,481
Capital Outlay	0	74,506	74,506
Note Principal Payment	0	4,822	4,822
 Total Cash Disbursements	 29,632	 148,686	 178,318
 Total Receipts (Under) Disbursements	 (3,879)	 (31,170)	 (35,049)
<b>Other Financing Receipts:</b>			
Proceeds from Sale of Public Debt:			
Sale of Notes	0	34,500	34,500
 Total Other Financing Receipts	 0	 34,500	 34,500
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (3,879)	 3,330	 (549)
 Fund Cash Balances, January 1	 18,575	 76,730	 95,305
 <b>Fund Cash Balances, December 31</b>	 <b>\$14,696</b>	 <b>\$80,060</b>	 <b>\$94,756</b>
 Reserve for Encumbrances, December 31	 \$0	 \$52	 \$52

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES -  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<b>Fiduciary Fund Type</b>
	<b>Non-Expendable Trust</b>
<b>Operating Cash Receipts:</b>	
Interest	\$26
Total Operating Cash Receipts	26
Fund Cash Balances, January 1	500
<b>Fund Cash Balances, December 31</b>	<b>\$526</b>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Freeport Township, Harrison 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 maintenance. The Township contracts with the Village of Freeport Volunteer Fire Department to provide fire protection services and ambulance services.

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 has an interest bearing checking account. Interest earned is recognized and recorded when received. Investment procedures are restricted by the provisions of the Ohio Revised Code. No investments were held by the Township.

**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.

**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:

*Federal Emergency Management Agency Fund* - This fund receives federal money for repairing flood damaged areas.

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

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

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

**3. Fiduciary Fund (Trust Fund)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Funds for which the Township is acting in an agency capacity are classified as agency funds. The Township had the following significant Fiduciary Fund:

*Cemetery Bequest Trust Fund* - This fund receives interest from a bequest established to maintain the Township cemetery.

**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, function or object 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). 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 carried over, and need not be reappropriated. The Township did not encumber all commitments as required by Ohio law during 1999 and 1998.

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

**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.

**2. EQUITY IN POOLED CASH**

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

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$69,688</u>	<u>\$95,282</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

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

**3. BUDGETARY ACTIVITY**

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,000	\$21,832	\$1,832
Special Revenue	97,000	106,515	9,515
Nonexpendable Trust	26	26	0
Total	\$117,026	\$128,373	\$11,347

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$32,710	\$24,224	\$8,486
Special Revenue	168,685	129,944	38,741
Nonexpendable Trust	526	0	526
Total	\$201,921	\$154,168	\$47,753

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,863	\$25,753	\$5,890
Special Revenue	83,595	152,016	68,421
Nonexpendable Trust	0	26	26
Total	\$103,458	\$177,795	\$74,337

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,438	\$29,632	\$8,806
Special Revenue	180,325	148,738	31,587
Nonexpendable Trust	500	0	500
Total	\$219,263	\$178,370	\$40,893

**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.

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

**4. PROPERTY TAX (Continued)**

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.

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
General Obligation Notes	<u>\$16,924</u>	5-6%

The general obligation notes were issued to finance the purchase of a new grader and tractor to be used for Township road maintenance.

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

Year ending December 31:	General Obligation Notes
2000	<u>\$17,105</u>

**6. RETIREMENT SYSTEM**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plans. 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 also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS 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 is a member of the Ohio Township Association Risk Management Association (OTARMA) and has obtained insurance for the following risks:

- Comprehensive property and general liability
- Vehicle
- Errors and omissions
- Building and contents
- Public officials liability



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Freeport Township  
Harrison County  
P.O. Box 235  
High Street  
Freeport, Ohio 43973

To the Board of Trustees:

We have audited the accompanying financial statements of Freeport Township, Harrison County (the Township), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 24, 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 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 1999-41210-001. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Township in a separate letter dated March 24, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 24, 2000.

Freeport Township  
Harrison County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

March 24, 2000

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding Number**

**1999-41210-001**

**Ohio Revised Code § 5705.41 (D)** states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

Ohio Revised Code § 5705.413 also provides an exception to the aforementioned requirements:

- C. A township with total receipts for the prior fiscal year of three hundred fifty thousand dollars or less may make any purchase order or contract and give any order involving the expenditure of money without obtaining the certificate otherwise required under division (D) of Section 5705.41 of the Revised Code, provided that the total amount involved is not more than seven hundred and fifty dollars. The use of this exception must be formally adopted by a resolution of the Board of Trustees.

During 1999, 60%, and during 1998, 28% of liabilities, contracts, and open purchase commitments tested were not certified by the Clerk and were not encumbered until the time of payment. The Township did not use Then and Now certificates and these commitments were not subsequently approved by the Board of Trustees within the aforementioned 30 day time period, nor was a resolution passed designating an employee to purchase without the prior certification of the Clerk.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**FREEPORT TOWNSHIP**

**HARRISON 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  
APRIL 27, 2000**