

***FREEDOM TOWNSHIP
PORTAGE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014



Dave Yost • Auditor of State

Board of Trustees
Freedom Township
8966 State Route 700
Ravenna, OH 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, 2014 through December 31, 2015. 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

July 28, 2016

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**FREEDOM TOWNSHIP
PORTAGE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2015 and 2014**

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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 of the cash balances, receipts and disbursements by fund type, and related notes of Freedom Township, Portage County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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, 2015 and 2014, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2016, 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 & ASSOCIATES, INC.
June 15, 2016

**FREEDOM TOWNSHIP
PORTAGE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 89,502	\$ 52,815	\$ 142,317
Intergovernmental	61,080	93,058	154,138
Licenses, Permits and Fees	3,151	7,371	10,522
Earnings on Investments	260	125	385
Miscellaneous	22,251	4,210	26,461
Total Cash Receipts	176,244	157,579	333,823
Cash Disbursements:			
Current:			
General Government	178,185	6,483	184,668
Public Works	-	145,290	145,290
Health	3,655	5,653	9,308
Conservation-Recreation	7,763	500	8,263
Capital Outlay	-	42	42
Total Cash Disbursements	189,603	157,968	347,571
Total Receipts Over/(Under) Disbursements	(13,359)	(389)	(13,748)
Other Financing Sources/(Uses):			
Transfers-In	-	4,700	4,700
Transfers-Out	(4,700)	-	(4,700)
Total Other Financing Sources/(Uses)	(4,700)	4,700	-
Net Change in Fund Cash Balance	(18,059)	4,311	(13,748)
Fund Cash Balance, January 1	35,729	83,409	119,138
Fund Cash Balance, December 31			
Restricted	-	87,720	87,720
Unassigned	17,670	-	17,670
Fund Cash Balance, December 31	\$ 17,670	\$ 87,720	\$ 105,390

See accompanying Notes to the Financial Statements.

**FREEDOM TOWNSHIP
PORTAGE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 78,577	\$ 46,961	\$ 125,538
Intergovernmental	60,321	88,209	148,530
Licenses, Permits and Fees	4,064	6,498	10,562
Earnings on Investments	322	250	572
Miscellaneous	24,577	4,231	28,808
Total Cash Receipts	167,861	146,149	314,010
Cash Disbursements:			
Current:			
General Government	179,705	8,874	188,579
Public Works	-	159,826	159,826
Health	3,744	7,413	11,157
Conservation-Recreation	14,582	21,674	36,256
Capital Outlay	-	50	50
Total Cash Disbursements	198,031	197,837	395,868
Total Receipts Over/(Under) Disbursements	(30,170)	(51,688)	(81,858)
Other Financing Sources/(Uses):			
Transfers-In	-	3,300	3,300
Transfers-Out	(3,300)	-	(3,300)
Total Other Financing Sources/(Uses)	(3,300)	3,300	-
Net Change in Fund Cash Balance	(33,470)	(48,388)	(81,858)
Fund Cash Balance, January 1	69,199	131,797	200,996
Fund Cash Balance, December 31			
Restricted	-	83,409	83,409
Unassigned	35,729	-	35,729
Fund Cash Balance, December 31	\$ 35,729	\$ 83,409	\$ 119,138

See accompanying Notes to the Financial Statements.

**FREEDOM TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

1. Summary of Significant Accounting Policies

A. Description of the Entity

Freedom Township, Portage County, (The Township) is a body politic and corporate established in Ohio 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 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 present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Township'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.

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 fund:

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

**FREEDOM TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five 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

The Board of Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board amends 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

1. Summary of Significant Accounting Policies (continued)

F. 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 the Board of 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.

G. 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.

H. 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.

2. Equity in Pooled Deposits and Investments

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:

	2015	2014
Demand Deposits	\$ 105,390	\$ 119,138
Total Deposits	105,390	119,138

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

**FREEDOM TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2015 and 2014 was as follows:

2015 Budget vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 183,622	\$ 176,244	\$ (7,378)
Special Revenue	214,209	162,279	(51,930)
Total	\$ 397,831	\$ 338,523	\$ (59,308)

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ -	\$ 194,303	\$ (194,303)
Special Revenue	-	157,968	(157,968)
Total	\$ -	\$ 352,271	\$ (352,271)

2014 Budget vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 189,862	\$ 167,861	\$ (22,001)
Special Revenue	198,871	149,449	(49,422)
Total	\$ 388,733	\$ 317,310	\$ (71,423)

2014 Budgeted vs Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 289,061	\$ 201,331	\$ 87,730
Special Revenue	301,512	197,837	103,675
Total	\$ 590,573	\$ 399,168	\$ 191,405

**FREEDOM TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

4. Property Taxes

Real property taxes become a lien on January 1 proceeding 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 utility 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. Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2015 and 2014, members of OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2015 and 2014. The Township has paid all contributions required through December 31, 2015.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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, 2015, 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.

**FREEDOM TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

6. Risk Management (continued)

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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>2015</u>	<u>2014</u>
\$8,469	\$8,308

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. Debt

There was no outstanding debt in 2015.

**FREEDOM TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

8. Interfund Transactions

During 2014 and 2015, the Township made various transfers to subsidize operations. All of the transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16, except for one which was made retroactively.

9. Contingent Liabilities/Subsequent Events

Management believes there are no significant pending claims or lawsuits.

10. Budgetary Noncompliance

Contrary to the Ohio Revised Code Section 5705.38, the Township failed to adopt permanent appropriations in 2015, and adopted permanent appropriations in 2014 after the April 1 deadline. In addition, contrary to the Ohio Revised Code Section 5705.41(B), in 2015 the Township expended monies without the corresponding appropriation. Contrary to the Ohio Revised Code Section 5705.39, the Township had appropriations in excess of estimated resources in one fund in 2014. Contrary to Ohio Revised Code Sections 5705.14, .15 and .16, the Township has a transfer approved after it was made and numerous not approved at all. Contrary to Ohio Revised Code Section 5705.41(D), the Township had expenditures made prior to the encumbrance of funds.

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

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 Board of 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 the cash balances, receipts, and disbursements by fund type of Freedom Township, Portage County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-01 and 2015-02 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 four instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as findings 2015-03 through 2015-06.

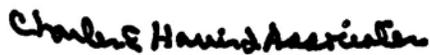
We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 15, 2016.

Entity's Responses 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.

June 15, 2016

**FREEDOM TOWNSHIP
PORTAGE COUNTY, OHIO
Schedule of Findings
For the Years Ending December 31, 2015 and 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2015-01 – Material Weakness

Our testing revealed several instances where errors were made with respect to the posting and reporting of various transactions. During 2014 and 2015, the most significant of the adjustments were as follows:

- During 2014 and 2015, various refunds and reimbursements were misclassified as other financing sources instead of Miscellaneous revenue.
- During 2014 and 2015, various expenditures were misclassified as other financing uses instead of General Government and Conservation-Recreation.

Management agrees with these adjustments and they were adjusted in the Township's records and the accompanying financial statements.

We recommend the Township use more caution to ensure all activities of the Township are recorded accurately. Management should refer to the Ohio Township Handbook, the Uniform Accounting Network Guide and other Auditor of State guidance to ensure proper fund and account classifications.

Management Response: More careful consideration will be given to use proper fund and account. I will contact someone if I am unsure.

Finding Number: 2015-02 – 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 Township's records. This process involves reconciling the bank balance to the cash and investment balance. For January 1, 2014 through December 31, 2015, 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.

Management Response: When unable to balance I have not moved forward on other reconciliations while I try to rectify the problem. This has caused me to fall behind and then it is difficult to catch up. I will work on this in the future and obtain outside assistance if necessary.

**FREEDOM TOWNSHIP
PORTAGE COUNTY, OHIO
Schedule of Findings (continued)
For the Years Ending December 31, 2015 and 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number: 2015-03 – Noncompliance Citation

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 2014 and 2015, the Township made one transfer prior to the Board of Trustees approving the resolution authorizing the transactions and numerous without any approval.

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

Management Response: I have misunderstood the transfer process in the past. I will ensure all transfers are approved properly.

Finding Number 2015-04 – Noncompliance Citation

Annual Appropriation Measure

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the Township wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. During 2014, the Township adopted their permanent appropriations after the April 1 deadline, and they failed to adopt permanent appropriations for 2015. This caused disbursements to exceed appropriations in all funds, contrary to ORC 5705.41(B) in 2015.

The Fiscal Officer should monitor appropriations and ensure the appropriations are adopted in a timely manner.

Management Response: The oversight of not having permanent appropriations adopted will be more carefully monitored by the Fiscal Officer.

**FREEDOM TOWNSHIP
PORTAGE COUNTY, OHIO
Schedule of Findings (continued)
For the Years Ending December 31, 2015 and 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number 2015-05 – Noncompliance Citation

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission.

At December 31, 2014, the General Fund (\$30,000) had total appropriations exceeded total estimated resources.

The Fiscal Officer should monitor appropriations and estimated resources on a regular basis and make modifications accordingly.

Management Response: The carryover balance used by the Fiscal Officer was incorrect. This will be more closely monitored in the future.

Finding Number 2015-06 – Noncompliance Citation

Ohio Revised Code Section 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificate which are provided for in sections 5705.41 (D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township 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.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FREEDOM TOWNSHIP
PORTAGE COUNTY, OHIO
Schedule of Findings (continued)
For the Years Ending December 31, 2015 and 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number 2015-06 – Noncompliance Citation (continued)

3. Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our review of non-payroll disbursements, we noted 22% of expenditures tested in which the Township incurred an obligation prior to the fiscal officer certifying the availability of funds. More simply, the date of the invoice preceded the date of the purchase order.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's expenditures exceeding budgetary spending limitations, we recommend that the Township certify expenditures prior to incurring the liability. This will assist in keeping adequate controls over disbursements and encumbrances.

Management Response: Until 2016 the Fiscal Officer was not sure of how to use Then and Now Certificates. After learning how to use them it will be much easier to ensure proper use. The Fiscal Officer is applying more compliant use of the UAN system and feels more comfortable seeking assistance.

**FREEDOM TOWNSHIP
PORTAGE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ending December 31, 2015 and 2014**

Finding Number	Finding Summary	Fully corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-01	Misclassifications of various receipts and expenditures.	No	Reissued in this report as Finding 2015-01.
2013-02	Bank reconciliations having various unresolved reconciling items.	No	Reissued in this report as Finding 2015-02.
2013-03	Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 for making a transfer before approval of the Board of Trustees was received.	No	Reissued in this report as Finding 2015-03.

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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
AUGUST 9, 2016**