



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF FREEPORT
HARRISON COUNTY
DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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Report on the Financial Statements, Internal Control, and Compliance

Village of Freeport
Harrison County
P.O. Box 176
Freeport, Ohio 43973

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Freeport, Harrison County, Ohio (the Village), as of and for the years ended December 31, 2020 and 2019. These procedures were designed to satisfy the audit requirements of Ohio Rev. Code § 117.11, and Ohio Admin. Code 117-4-02. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2020-009 through 2020-012 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as item 2020-001 through 2020-008.

Village's Response to Findings

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



Keith Faber
Auditor of State
Columbus, Ohio

July 13, 2022

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$26,182	\$12,748	\$38,930
Municipal Income Tax	50,178	0	50,178
Intergovernmental	21,444	30,035	51,479
Earnings on Investments	50	39	89
Miscellaneous	14,374	0	14,374
	<u>112,228</u>	<u>42,822</u>	<u>155,050</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	7,238	0	7,238
Basic Utility Services	5,747	0	5,747
Transportation	3,489	40,711	44,200
General Government	79,114	0	79,114
	<u>95,588</u>	<u>40,711</u>	<u>136,299</u>
<i>Total Cash Disbursements</i>			
<i>Net Change in Fund Cash Balances</i>	16,640	2,111	18,751
<i>Fund Cash Balances, January 1</i>	<u>372,515</u>	<u>29,256</u>	<u>401,771</u>
<i>Fund Cash Balances, December 31</i>	<u>\$389,155</u>	<u>\$31,367</u>	<u>\$420,522</u>

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

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$62,606
<i>Total Operating Cash Receipts</i>	62,606
Operating Cash Disbursements	
Personal Services	22,994
Employee Fringe Benefits	3,580
Contractual Services	10,350
Supplies and Materials	11,481
Other	6,364
<i>Total Operating Cash Disbursements</i>	54,769
<i>Net Change in Fund Cash Balances</i>	7,837
<i>Fund Cash Balances, January 1</i>	2,777
<i>Fund Cash Balances, December 31</i>	\$10,614

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

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Freeport, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, street maintenance, police, park operations and water utility services. The Village contracts with the Freeport Volunteer Fire Department to provide fire protection services.

The Village participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway The state highway fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of State streets within the Village.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant enterprise fund:

Water Fund To account for and report charges for services from residents to cover water service costs.

Basis of Accounting

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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function/object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Accumulated Leave

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

Fund Balance

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

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

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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council 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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

The Village 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.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,756	\$112,228	\$67,472
Special Revenue	46,575	42,822	(3,753)
Enterprise	0	62,606	62,606
Total	\$91,331	\$217,656	\$126,325

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,007	\$97,375	(\$21,368)
Special Revenue	46,575	41,964	4,611
Enterprise	50,000	55,757	(5,757)
Total	\$172,582	\$195,096	(\$22,514)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Street, and Water Funds by \$21,368, \$21,758, and \$5,757 at the end of 2020. Also, contrary to Ohio law, appropriations exceeded estimated resources in the Water Fund by \$47,223.

Note 4 – Deposits

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand Deposits	2020
	\$431,136

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Taxes

Property Taxes

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30 percent for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100 percent of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30 percent to 33 percent, while the casualty treaty remains unchanged and still assumes 100 percent of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33 percent to 55 percent, while the casualty treaty remains unchanged and still assumes 100 percent of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

	<u>2020</u>
Assets	\$18,826,974
Liabilities	<u>(13,530,267)</u>
Retained Earnings	<u>\$5,296,707</u>

You can read the complete audited financial statements for the OPRM at the Plan's website: www.ohioplan.org.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 9 – Contingent Liabilities

The Village is not a defendant in any lawsuits.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During 2020, the Village received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The Village’s investment portfolio and the investments of the pension and other employee benefit plans in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$1,787	\$1,253	\$3,040

The fund balance of special revenue funds are either restricted or committed. These restricted amounts in the special revenue funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

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**VILLAGE OF FREEPORT
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$25,729	\$12,483	\$38,212
Municipal Income Tax	45,595	0	45,595
Intergovernmental	16,557	33,494	50,051
Contributions, Gifts and Donations	932	0	932
Earnings on Investments	55	165	220
Miscellaneous	10,710	0	10,710
	99,578	46,142	145,720
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	6,180	3,121	9,301
Basic Utility Services	6,510	0	6,510
Transportation	13,268	57,204	70,472
General Government	68,278	0	68,278
Capital Outlay	13,930	0	13,930
	108,166	60,325	168,491
<i>Total Cash Disbursements</i>			
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	(8,588)	(14,183)	(22,771)
Other Financing Receipts			
Sale of Capital Assets	4,150	0	4,150
	4,150	0	4,150
Net Change in Fund Cash Balances	(4,438)	(14,183)	(18,621)
Fund Cash Balances, January 1 - Restated (See Note 11)	376,953	43,439	420,392
	376,953	43,439	420,392
<i>Fund Cash Balances, December 31</i>			
Restricted	0	29,256	29,256
Assigned	641	0	641
Unassigned	371,874	0	371,874
	372,515	29,256	401,771
<i>Fund Cash Balances, December 31</i>			

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

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$49,974
Miscellaneous	2,866
	52,840
<i>Total Operating Cash Receipts</i>	<i>52,840</i>
Operating Cash Disbursements	
Personal Services	23,898
Employee Fringe Benefits	3,435
Contractual Services	11,227
Supplies and Materials	11,833
	50,393
<i>Total Operating Cash Disbursements</i>	<i>50,393</i>
<i>Net Change in Fund Cash Balances</i>	<i>2,447</i>
<i>Fund Cash Balances, January 1</i>	<i>330</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,777</i>

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

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Freeport, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, street maintenance, police, park operations and water utility services. The Village contracts with the Freeport Volunteer Fire Department to provide fire protection services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

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General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant special revenue funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway The state highway fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of State streets within the Village.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant enterprise fund:

Water Fund To account for and report charges for services from residents to cover water service costs.

Basis of Accounting

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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function/object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Accumulated Leave

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

Fund Balance

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

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

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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council 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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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 Village 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.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,208	\$103,728	\$59,520
Special Revenue	46,335	46,142	(193)
Enterprise	0	52,840	52,840
Total	\$90,543	\$202,710	\$112,167

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,208	\$108,166	(\$15,958)
Special Revenue	46,335	60,325	(13,990)
Enterprise	6,000	50,393	(44,393)
Total	\$144,543	\$218,884	(\$74,341)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, the Street, and the Water Funds by \$15,958, \$31,865 and \$44,393, respectively, at the end of 2019. Also, contrary to Ohio law, appropriations exceeded estimated resources in the Water Fund by \$5,670.

Note 4 – Deposits

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand Deposits	2019
	\$404,548

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Taxes

Property Taxes

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

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47 percent of the premium and losses on the first \$250,000 casualty treaty and 30 percent of the first \$1,000,000 property treaty. The OPRM also participates in a property primary excess of loss treaty. This treaty is reimbursed by the OPRM at 30 percent for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM property retention remained unchanged, however the Plan assumed 100 percent of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM property retention increased from 30 percent to 33 percent, while the casualty treaty remains unchanged and still assumes 100 percent of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019:

	<u>2019</u>
Assets	\$15,920,504
Liabilities	<u>(11,329,011)</u>
Retained Earnings	<u>\$4,591,493</u>

You can read the complete audited financial statements for the OPRM at the Plan's website: www.ohioplan.org.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 9 – Contingent Liabilities

The Village is not a defendant in any lawsuits.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Village of Freeport, Ohio
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During 2020, the Village received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The Village’s investment portfolio and the investments of the pension and other employee benefit plans in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 11 – Restatement of Cash Fund Balances

For 2019, the Village’s financial records required reconstruction. As a result of the 2019 reconstruction, adjustments to December 31, 2018 cash fund balances were required. The effect of these adjustments were as follows:

	<u>Special</u> <u>Revenue</u>
Cash Fund Balances 12/31/18	\$36,546
Restatements	<u>6,893</u>
Restated Cash Fund Balances 1/1/19	<u>\$43,439</u>

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**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 117.103(B)(1) states that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. Since May 4, 2012, Ohio Rev. Code § 117.103(B)(2), has also required each public office to make all its employees aware of the fraud-reporting system. Ohio Rev. Code § 117.103(B)(3) provides that a public office satisfies these notification requirements by providing information about the fraud-reporting system and means of reporting fraud in the employee handbook or manual. Employees must sign and verify receipt of the handbook or manual.

For 2020 and/or 2019, the Village neither made its current employees aware of the new fraud reporting system nor made new employees confirm receipt of this information. Failure to notify employees of the fraud reporting system could lead to instances of unreported fraud.

In order to prevent unreported instances of fraud, the Village should communicate the fraud reporting system to its current employees and implement a process for informing new employees.

Officials' Response: The Fiscal Officer of the Village has followed up with Council and employees in regards to giving them the Ohio fraud reporting system information. The Fiscal Officer has all members sign acknowledgement of receipt of the fraud reporting system.

FINDING NUMBER 2020-002

Noncompliance

Ohio Rev. Code § 117.38(A) states each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Also **Ohio Rev. Code § 117.38(B)** states the report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year.

The Village did not file the 2020 and 2019 annual financial reports with the Auditor of State's Office until March 8, 2022.

The Village should file the annual financial report in compliance with the prescribed guidelines documented above.

Officials' Response: The Village knows that the annual financial report should be filed with the Auditor of State within 60 days after the close of the fiscal year. The Village will be sure to have it done on time going forward.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDING NUMBER 2020-003

Noncompliance

Ohio Rev. Code § 149.43(B)(2) states, in part, a public office shall have available a copy of its current records retention schedule at a location readily available to the public.

Ohio Rev. Code §§ 109.43(B) and 149.43(E)(1) require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General's Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

Ohio Rev. Code § 149.43(E)(2) provides that every public office must have a policy in place for responding to public records requests. Generally, a public records policy cannot: (1) limit the number of public records the office will make available to a single person; (2) limit the number of public records the office will make available during a fixed period of time; and (3) establish a fixed period of time before the office will respond to a request for inspection/copying of public records unless that period is less than eight hours. However, pursuant to Ohio Rev. Code § 149.43(B)(7)(c), the policy may limit the number of public records the public office will physically deliver by U.S. Mail or other delivery service to ten per month unless the person certifies to the office in writing that the person does not intend to use or forward the requested records, or the information contained in them, for commercial purposes. "Commercial" is narrowly construed and does not include reporting or gathering news, reporting or gathering information to assist citizen oversight or understanding of the operation or activities of government, or nonprofit educational research.

Ohio Rev. Code § 149.43(E)(2) further requires all public offices take certain actions with regard to their public record policy. Public offices must distribute their Public Records Policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office and have that employee acknowledge receipt of the Public Records Policy; create and display in a conspicuous place in all locations where the public office has branch offices a poster describing the public records policy; and, if the public office has a manual or handbook of its general policies and procedures for all employees, include the public records policy in that manual or handbook.

The Village did not establish a records retention schedule. As a result, there was an increased risk that records could be destroyed without obtaining the approval of the Ohio Historical Society and Auditor of State of Ohio, as required. In addition, none of the Village's elected officials, nor a designee, attended a public records training. The Village also does not have a public records policy.

As a result, there was an increased risk that public records could be improperly denied to the public or improperly disposed of, which would potentially subject the Village to fines and other penalties.

Village Council should adopt a records retention policy in accordance with the Ohio Rev. Code guidelines. The Village Council should also adopt a public records policy in conformity with the model public records policy issued by the Ohio Attorney General. After adopting such policy, the Village should create a poster describing their public records policy, post a copy of the policy in a conspicuous place in the municipal building and all locations where they have branch offices, and include their policy within the employees' policies and procedures manual. Also, the Village elected officials or their respective designees should attend the public records training once per term.

Officials' Response: The Village is going to correct these items going forward.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDING NUMBER 2020-004

Noncompliance

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

We noted the following in 2020:

- The Village did not allocate gasoline excise tax properly as the Village posted \$6,682, \$11,817 and \$367 to the General, Street Construction and State Highway Funds, respectively; however should have posted \$17,451 and \$1,415 to the Street Construction and State Highways Funds, respectively.
- The Village did not allocate motor vehicle license tax properly as the Village posted \$5,048, \$1,518, and \$889 to the Street Construction, State Highway, and Permissive Motor Vehicle License Tax Funds, respectively; however should have posted \$6,896 and \$559 to the Street Construction and State Highway Funds, respectively.
- A Permissive Motor Vehicle License Tax distribution in the amount of \$270 was posted to the General Fund and should have been posted to the Permissive Motor Vehicle License Tax Fund.
- The Village did not allocate homestead and rollback based on the tax settlement sheets as the Village posted \$3,094, and \$2,936 to the General and Street Construction Funds, respectively, however, should have posted \$4,081, \$1,462, and \$487, to the General, Street Construction and Fire Funds, respectively.
- The Village posted an income tax receipt in the amount of \$1,294 as Charges for Services in the Water Fund; however, should have been posted as a income tax receipt in the General Fund.

We noted the following in 2019:

- The Village did not allocate homestead and rollback based on the tax settlement sheets. The Village posted \$33, \$455, and \$5,615 to the General, State Highway and Street Funds, respectively; however, it should have been \$4,130, \$493, and \$1,480 to the General, Fire, and Street Funds, respectively.

The adjustments noted above were agreed to by management and are reflected in the financial statements and in the accounting records correcting the misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response: The Village is going to correct items going forward.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDING NUMBER 2020-005

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At December 31, 2020 and 2019, the Village's appropriations exceeded the amount certified as available by the budget commission in the Water Fund by \$47,223 and \$5,670, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Village Council to reduce the appropriations.

Officials' Response: The Village is going to correct these items moving forward.

FINDING NUMBER 2020-006

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, we noted the following:

- As of December 31, 2020, the Village had expenditures in excess of appropriations of \$21,368, \$21,758, and \$5,757, in the General, Street, and Water Funds, respectively.
- As of December 31, 2019, the Village had expenditures in excess of appropriations of \$15,958, \$31,865, and \$44,393, in the General, Street, and Water Funds, respectively.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations.

Officials' Response: The Village is going to correct these procedures going forward.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDING NUMBER 2020-007

Noncompliance

Ohio Rev. Code § 733.81(C) states that a newly elected or appointed fiscal officer shall complete at least 6 hours of initial education programs before commencing, or during the first year of office.

Ohio Rev. Code § 733.81(D)(1) states in addition to the 6 hours of initial education required, a newly elected fiscal officer shall complete at least a total of 18 continuing education hours during the fiscal officer's first term of office.

Ohio Rev. Code § 733.81(D)(2) states a fiscal officer who is elected to a subsequent term of office shall complete 12 hours of continuing education courses in each subsequent term of office.

The Auditor of State has developed an on-line training database, which includes a list of approved training, which is maintained by our training department. Fiscal Officers must register and create a personal username and password for the Auditor of State's Fiscal Integrity site for reporting purposes. Training is then reported by choosing the training courses and dates attended. Fiscal officers are required to self-report their hours, otherwise they will not receive credit for the training. Fiscal Officers can access and print their certificates via the Fiscal Integrity Act portal available at <http://www.ohioauditor.gov/fiscalintegrity/default.html>.

The Village Fiscal Officer is not registered on the Auditor of State's Training Portal and also no training has been attended.

The Village Fiscal Officer should register on the Auditor of State's Training Portal and attend the required training.

Officials' Response: The Fiscal Officer of the Village in the near future will get registered with the Auditor of States Training Portal and attend the training that is required.

FINDING NUMBER 2020-008

Noncompliance

26 CFR § 1.6041-1 states that you must file Form 1099-MISC, Miscellaneous Income, to report payments of \$600 or more to persons not treated as employees (for example, independent contractors) for services performed for your trade or business.

The Village did not prepare a 1099-MISC form for their Village Solicitor whose compensation exceeded the \$600 threshold in 2020 and 2019. Failure to prepare the required forms could result in fines and penalties being levied against the Village.

The Village should establish policies and procedures to verify that payments in excess of \$600 to its independent contractors are reported on the 1099-Misc form. The Village should also review the relationship of the above mentioned parties to determine whether they are independent contractors or employees.

If not corrected this matter may be referred to the Internal Revenue Service in a future engagement.

Officials' Response: The Village will correct these items going forward.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

FINDING NUMBER 2020-009

Internal Control Deficiency – Budgetary Amounts not recorded in the Accounting System

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Village Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Village Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

Variances existed between the Budgeted Receipts and Approved Appropriations to the amounts posted to the accounting system during 2020 and 2019.

The following table details these variances for 2020:

Fund	Amount per Amended Certificates	Amount Posted to Accounting System (UAN)	Variance
General	\$44,756	\$45,297	\$541
Water	0	50,000	50,000

Fund	Amount per Final Appropriations Resolution	Amount Posted to Accounting System (UAN)	Variance
General	\$76,007	\$102,476	\$26,469
State Highway	9,000	14,937	5,937
MVL Permissive Tax	22,000	32,864	10,864
Fire	3,675	0	(3,675)
Street	11,900	28,452	16,552
Water	50,000	52,777	2,777

The following table details these variances for 2019:

Fund	Amount per Amended Certificates	Amount Posted to Accounting System (UAN)	Variance
General	\$44,208	\$0	(\$44,208)
State Highway	10,000	0	(10,000)
MVL Permissive Tax	22,000	0	(22,000)
Fire	3,530	0	(3,530)
Street	10,805	0	(10,805)

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

**FINDING NUMBER 2020-009
(Continued)**

**Internal Control Deficiency – Budgetary Amounts not recorded in the Accounting System
(Continued)**

In 2019, an Appropriation Resolution was passed on 3/19/2019; however, it was not posted to the Village manual appropriation ledgers.

Fund	Amount per Final Appropriations Resolution	Amount Posted to Accounting System (UAN)	Variance
General	\$92,208	\$0	(\$92,208)
State Highway	10,000	0	(10,000)
MVL Permissive Tax	22,000	0	(22,000)
Fire	3,530	0	(3,530)
Street	10,805	0	(10,805)
Water	6,000	0	(6,000)

Because the information entered into the accounting system was not always accurate, the amounts reported as appropriations and estimated receipts in Note 3 to the financial statements for 2020 and 2019 have been adjusted and agreed to by Village management.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council and the approved Certificate of Estimated Resources (and/or amendments thereof) were not properly posted to the accounting system or in the Village's manual ledgers in 2019. In 2020, the Village converted to Uniform Accounting Network (UAN); however, amounts were not entered properly as approved.

Failure to accurately post appropriations and estimated resources to the accounting system could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers

Officials' Response: The Village will work on these items going forward.

FINDING NUMBER 2020-010

Internal Control Deficiency – Cash Reconciliation Process Errors

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

**FINDING NUMBER 2020-010
(Continued)**

Internal Control Deficiency – Cash Reconciliation Process Errors (Continued)

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council is responsible for reviewing the reconciliations and related support.

The bank reconciliation as of December 31, 2020 included other adjustment factors of \$22,106. The Village hired Auditor of State Local Government Services (LGS) to reconcile their bank to the books. LGS was able to determine transactions that were recorded on the Village's books but not deposited in the bank and also transactions that were deposited or expensed at the bank and not recorded on the Village ledgers. An adjustment of \$28,587 was posted to the Village ledgers on February 2, 2022, to get the Village's books reconciled through December 31, 2020. The Fiscal Officer had not been able to reconcile since the former Fiscal Officer had left office on March 31, 2020. The new Fiscal Officer started her term on April 1, 2020.

Reconciling cash is a critical control in assuring all transactions are posted accurately and timely, and in the proper accounting period. Unidentified differences result in inaccurate fund cash balance information, and conceivably could cause deficit spending. The Village's small size requires governing board involvement with critical accounting processes (such as bank reconciliation) to compensate for the inability to segregate these duties. The absence of these reviews may be a material weakness in internal accounting control, resulting in inaccurate cash balances, or even undetected theft.

The Village Fiscal Officer should prepare monthly bank reconciliations. Sufficient explanation and/or supporting documentation should be provided and retained for all reconciling items, such as outstanding checks, deposits-in-transit, and "Other Adjusting Factors" that may appear on the reconciliation. The Village Fiscal Officer should present monthly bank reconciliations to Village Council for their review and approval at their monthly meetings.

Officials' Response: The Village will be correcting these items going forward.

FINDING NUMBER 2020-011

Internal Control Deficiency – Minute Record

The minutes of the meetings of Village Council are the formal record of pertinent data and legislative actions taken by Council.

The minute record was often vague and / or silent with regards to the following:

- The Village passed an Appropriation Ordinance for FY20 and FY19, and both Ordinances were signed; however, they were never mentioned during the meeting minutes and approved.
- Pay rates for officials and employees have remained consistent with prior year; however no documentation exist to support approvals.
- The Village Administrator Sick and Vacation Leave is supported by an Employee Handbook from 2013. The Fiscal Officer is unable to provide if that handbook was approved. During the period, it was not approved in minutes.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

**FINDING NUMBER 2020-011
(Continued)**

Internal Control Deficiency – Minute Record (Continued)

This resulted in a lack of supporting documentation for Village Council's actions which could lead to questions about what Village Council's intent was on a particular matter.

The following areas were not consistent throughout the year:

- Meeting minutes not approved and read at each meeting, 6 out of 12 times for 2020.
- Meeting minutes not signed by the Fiscal Officer, 1 out of 12 times for 2019.
- Meeting minutes not signed by the Board President for any of the meetings in 2020 and 2019.
- Financial reports, etc. not presented and approved at each meeting, 7 out of 12 times for 2020.

The Fiscal Officer should take necessary care in the preparation of the minutes and Village Council should carefully review the minutes to help ensure they are complete and accurate.

Officials' Response: The Village is taking care of these items moving forward.

FINDING NUMBER 2020-012

Internal Control Deficiency – Receipt Misclassifications

The Village Officer's Handbook (revised August 2020) and the UAN Accounting and General Manual provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

In 2019, the 92.5% of road tax in the amount of \$3,845 was posted as Miscellaneous Revenue instead of Intergovernmental Revenue in the Street Fund. This adjustment was agreed to by management and is reflected in the financial statements.

We also noted the following:

- In 2020, an Ohio Bureau of Workers Comp refund and a miscellaneous reimbursement totaling \$1,676 was posted as Intergovernmental Revenue instead of Miscellaneous Revenue in the General Fund.
- In 2020, property taxes were posted at net instead of gross in the General, Street, and Fire Funds which understated Property Taxes and General Government expenditures in a total amount of \$525.
- In 2019, a local government receipt of \$1,425 was posted to miscellaneous revenue instead of Intergovernmental Revenue in the General Fund.

The adjustments noted above were not deemed significant and are not reflected in the financial statements

The Village did not have procedures in place to accurately post receipts and disbursements in the correct classification.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

**FINDING NUMBER 2020-012
(Continued)**

Internal Control Deficiency – Receipt Misclassifications (Continued)

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Villages financial position and operations.

The Village Fiscal Officer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. The Village should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements.

Officials' Response: The Village is going to correct these items moving forward.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2018-001	Ohio Revised Code § 5705.41(D) – Prior certification.	N/A	Finding No Longer Valid.
2018-002	Ohio Revised Code § 5705.38(A).	Yes	
2018-003	Ohio Revised Code § 5705.41(B) – Expenditures exceeding appropriations.	No	Not Corrected.
2018-004	Ohio Admin. Code 117-2-02 (A) Mispostings	No	Not Corrected.
2018-005	Ohio Admin. Code 117-2-02 (C) (1) Budgetary data posted to ledgers	No	Not Corrected.
2018-006	Ohio Revised Code §5705.10(H) – Negative Fund Balances	Yes	

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF FREEPORT

HARRISON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/26/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov