



OHIO AUDITOR OF STATE
KEITH FABER



**FREEPORT TOWNSHIP
HARRISON COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Freeport Township
Harrison County
77515 Freeport-Tippecanoe Road
Freeport, Ohio 43973

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 Freeport Township, Harrison County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018.

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 § 117.38 and Ohio Administrative Code § 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 such 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 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Freeport Township, Harrison County, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matters

As discussed in Note 3 to the financial statements for the year ending December 31, 2018, adjustments to December 31, 2017 cash fund balances were required due to the incorrect posting of expenditures from a prior year. Also, as discussed in Note 12 to the financial statements for the years ended December 31, 2019 and 2018, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

September 3, 2020

Freeport Township
Harrison County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$19,716	\$58,470	\$0	\$0	\$78,186
Licenses, Permits and Fees	0	0	0	0	0
Intergovernmental	20,709	127,442	0	0	148,151
Earnings on Investments	34	0	0	0	34
Miscellaneous	462	6,256	0	0	6,718
<i>Total Cash Receipts</i>	<u>40,921</u>	<u>192,168</u>	<u>0</u>	<u>0</u>	<u>233,089</u>
Cash Disbursements					
Current:					
General Government	60,710	0	0	0	60,710
Public Safety	0	22,063	0	0	22,063
Public Works	283	111,870	0	0	112,153
Health	425	21,011	0	0	21,436
Capital Outlay	3,007	6,891	101,501	0	111,399
<i>Total Cash Disbursements</i>	<u>64,425</u>	<u>161,835</u>	<u>101,501</u>	<u>0</u>	<u>327,761</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(23,504)</u>	<u>30,333</u>	<u>(101,501)</u>	<u>0</u>	<u>(94,672)</u>
Other Financing Receipts					
Sale of Bonds	0	0	185,000	0	185,000
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>0</u>	<u>185,000</u>	<u>0</u>	<u>185,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,504)</u>	<u>30,333</u>	<u>83,499</u>	<u>0</u>	<u>90,328</u>
<i>Fund Cash Balances, January 1</i>	<u>56,035</u>	<u>225,955</u>	<u>0</u>	<u>833</u>	<u>282,823</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	500	500
Restricted	0	242,586	83,499	0	326,085
Committed	0	13,702	0	0	13,702
Assigned	13,450	0	0	333	13,783
Unassigned	19,081	0	0	0	19,081
<i>Fund Cash Balances, December 31</i>	<u>\$32,531</u>	<u>\$256,288</u>	<u>\$83,499</u>	<u>\$833</u>	<u>\$373,151</u>

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

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Freeport Township
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 Freeport Township, Harrison County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Freeport Volunteer Fire Department to provide fire services and ambulance services. The services are funded via levies.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township 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 Township 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 Township 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 Township had the following significant Special Revenue Fund:

Gas Tax Fund The Gas Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital projects fund:

New Building Project Fund The New Building Project Fund accounts for and reports the receipt of bond proceeds and the expenditure of those proceeds on the construction of a building for the Township.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Cemetery Bequest Fund The Cemetery Bequest Fund accounts for and reports interest earned on the corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

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 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.

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 or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees 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 Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 4.

Capital Assets

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

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 Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$10,912 for the year ended December 31, 2019.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,500	\$40,921	\$9,421
Special Revenue	155,675	192,168	36,493
Capital Projects	185,000	185,000	0
Total	\$372,175	\$418,089	\$45,914

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,550	\$72,462	(\$10,912)
Special Revenue	255,816	175,542	80,274
Capital Projects	185,000	101,501	83,499
Total	\$502,366	\$349,505	\$152,861

Note 5 – Deposits

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

	2019
Demand deposits	\$357,651
Certificates of deposit	15,500
Total deposits	\$373,151

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and 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.

Note 6 – Property Taxes

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

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

Note 7 - Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31 (Most recent available):

<u>2019</u>	
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 9 – 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 10 – Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
U.S. Department of Agriculture (USDA)		
General Obligation Bonds	\$18,600	3.50%
Township Building General Obligation		
Bond	185,000	3.35%
Total	<u>\$203,600</u>	

In 2015, the Township issued USDA general obligation bonds to finance the purchase of a tractor for Township road maintenance. The Township's taxing authority collateralized the bonds.

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2019

In 2019, the Township issued a general obligation bond for the purpose of paying part of the cost of constructing a township building. The Township's taxing authority collateralized the bond.

Amortization

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

Year Ending December 31:	USDA General Obligation Bonds	Township Building General Obligation Bond
2020	\$3,551	\$22,129
2021	3,450	22,129
2022	3,448	22,129
2023	3,543	22,129
2024	3,431	22,129
2025-2029	3,519	110,645
	\$20,942	\$221,290

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the township 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.

Note 12 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's financial future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Freeport Township
Harrison County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$21,122	\$60,886	\$0	\$82,008
Intergovernmental	18,905	112,311	0	131,216
Miscellaneous	2,209	0	0	2,209
<i>Total Cash Receipts</i>	<u>42,236</u>	<u>173,197</u>	<u>0</u>	<u>215,433</u>
Cash Disbursements				
Current:				
General Government	58,900	0	0	58,900
Public Safety	0	20,663	0	20,663
Public Works	2,000	83,054	0	85,054
Health	841	23,555	0	24,396
Capital Outlay	559	1,825	0	2,384
<i>Total Cash Disbursements</i>	<u>62,300</u>	<u>129,097</u>	<u>0</u>	<u>191,397</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(20,064)</u>	<u>44,100</u>	<u>0</u>	<u>24,036</u>
Other Financing Receipts/(Disbursements)				
Transfers-In	0	2,000	0	2,000
Transfers-Out	(2,000)	0	0	(2,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,000)</u>	<u>2,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(22,064)</u>	<u>46,100</u>	<u>0</u>	<u>24,036</u>
<i>Fund Cash Balances, January 1 - Restated See Note 3</i>	<u>78,099</u>	<u>179,855</u>	<u>833</u>	<u>258,787</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	500	500
Restricted	0	202,795	0	202,795
Committed	0	23,160	0	23,160
Assigned	0	0	333	333
Unassigned	56,035	0	0	56,035
<i>Fund Cash Balances, December 31</i>	<u>\$56,035</u>	<u>\$225,955</u>	<u>\$833</u>	<u>\$282,823</u>

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

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Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Freeport Township, Harrison County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Freeport Volunteer Fire Department to provide fire services and ambulance services. The services are funded via levies.

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township 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 Township are presented below:

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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 Township had the following significant Special Revenue Funds:

Gas Tax Fund The Gas Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Fire District Fund The Fire District Fund accounts for and reports the apportionment of taxes restricted for fire and emergency services within the Township.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Bequest Fund The Cemetery Bequest Fund accounts for and reports interest earned on the corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 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.

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 or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 5.

Capital Assets

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

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 Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

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

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.

Note 3 – Restatement of Cash Fund Balances

For 2018, an error was discovered by the Township regarding the incorrect posting of expenditures from a prior year. As a result, adjustments to December 31, 2017 cash fund balances were required. The effect of these adjustments were as follows:

	General	Special Revenue
Cash Fund Balances, 12/31/2017	\$63,099	\$194,855
Restatements	15,000	(15,000)
Restated Cash Fund Balances, 12/31/2017	\$78,099	\$179,855

Note 4 – Compliance

Contrary to Ohio law, due to the Township Board not approving appropriations for 2018, the Township's General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Cemetery, and Fire District Funds had expenditures in excess of appropriations of \$64,300, \$5,120, \$59,147, \$20,612, \$23,555, and \$20,663, for the year ended December 31, 2018.

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$42,236	\$42,236
Special Revenue	0	175,197	175,197
Total	\$0	\$217,433	\$217,433

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$64,300	(\$64,300)
Special Revenue	0	129,097	(129,097)
Total	\$0	\$193,397	(\$193,397)

Note 6 – Deposits

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

	2018
Demand deposits	\$267,323
Certificates of deposit	15,500
Total deposits	\$282,823

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and 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.

Note 7 – Property Taxes

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

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

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$7,874,610

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 10 – 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 was 0 percent during calendar year 2018.

Freeport Township
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 11 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
U.S. Department of Agriculture (USDA) General Obligation Bonds	\$21,300	3.50%

The Township issued USDA general obligation bonds to finance the purchase of a tractor for Township road maintenance. The Township’s taxing authority collateralized the bonds.

Amortization

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

Year Ending December 31:	USDA General Obligation Bonds
2019	\$3,446
2020	3,551
2021	3,450
2022	3,448
2023	3,543
2024-2025	6,950
	\$24,388

Note 12 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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

Freeport Township
Harrison County
77515 Freeport-Tippecanoe Road
Freeport, Ohio 43973

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 the Freeport Township, Harrison County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated September 3, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We also noted that adjustments to December 31, 2017 cash fund balances were required to due to an incorrect posting of expenditures from a prior year.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2019-001 through 2019-004, 2019-006 and 2019-007 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-008 described in the accompanying Schedule of Findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2019-001 through 2019-005.

Township's Response to Findings

The Township's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 3, 2020

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Noncompliance and Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Rev. Code § 505.24(C) permits trustees to receive per diem payments or annual salaries if voted upon unanimously by the township board of trustees.

If using the annual salary compensation method, the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in Ohio Rev. Code § 505.24(C), and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

The Township's Board of Trustees did not unanimously pass a resolution to allow being paid on a salary basis in equal monthly installments or approve to be paid from funds other than the general fund. During 2019 and 2018, the Board of Trustees were paid on a salary basis without the required approval. During 2019 and 2018, the Trustees were paid from funds other than the General Fund without the proper certifications. This resulted in improper payments being made from the Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge funds in the amounts of \$3,588, \$7,956, and \$3,121, respectively for 2019 and in the amounts of \$3,926, \$5,642, and \$3,381, respectively for 2018.

The Township did not have control procedures in place to ensure the Trustees completed the required certifications. Not having procedures in place to ensure proper posting of Trustee compensation could result in material errors to the financial statements, which may go undetected.

Adjustments, with which management agrees, have been posted to the Townships accounting records and are reflected in the accompanying financial statements.

The Township should, by unanimous vote, adopt the salary method of compensation to be paid in equal monthly payments, as well as, adopt a resolution that specifies the proportions of the salary that are to be paid from each fund. Additionally, Trustees should complete the appropriate certifications prior to receiving his/her pay for that pay period if they are being paid from funds other than the General Fund.

Officials Response: The Township will strive to improve the passage of a resolution to allow being paid on a salary basis in equal months installments. The Township will strive to improve placing procedures into place to ensure the Trustees complete the required certificates. The Township will strive to adopt the salary method of compensation to be paid in equal months payments as well as adopt a resolution that specifies the proportions of the salary that are to be paid from each fund.

FINDING NUMBER 2019-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(A) requires, in part, that all revenue derived from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

We noted the following during 2019:

- Township supplement receipts in the amount of \$617 were improperly posted to the Road and Bridge Fund rather than the General Fund.

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2019-002
(Continued)**

Noncompliance and Material Weakness - Ohio Rev. Code § 5705.10(A) (Continued)

- Township supplement receipts in the amount of \$617 were improperly posted to the Motor Vehicle License Tax Fund rather than the General Fund.

We noted the following during 2018:

- Township supplement receipts in the amount of \$6,788 were improperly posted to the Road and Bridge Fund rather than the General Fund.

Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

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 Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials Response: The Township will strive to implement control to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2019-003

Noncompliance and Material Weakness

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 during 2019:

- Homestead and Rollback receipts in the amount of \$5,780 were posted to the General Fund and should have been posted to the Road and Bridge, Cemetery, and Fire District Funds in the amounts of \$1,649, \$1,736, and \$2,395, respectively.
- MARCS grant receipts in the amount of \$1,440 were posted to the Cemetery Fund rather than the Fire District Fund.
- Road fees in the amount of \$6,000 were posted to the General Fund rather than the Gasoline Tax Fund.
- FEMA grant receipts were posted to the General Fund rather than the FEMA Fund in the amount of \$6,853.

Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

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 Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials Response: The Township will strive to implement control to help ensure all transactions are reviewed to help ensure posting to the proper funds.

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-004

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used for the purposes for which such fund is established.

We noted the following for 2018:

- The Township charged \$8,460 of cemetery maintenance related disbursements to the Fire District Fund, rather than the Cemetery Fund.
- Purchases of fuel, culverts, and stone in the amount of \$20,323 were charged to the Fire District Fund, rather than the Gasoline Tax Fund.
- Retirement contributions and utilities disbursements in the amount of \$1,604 were charged to the Fire District Fund, rather than the General Fund.
- Retirement contributions in the amount of \$591 were charged to the Cemetery Bequest Fund rather than the General Fund.
- An expenditure made in a prior period in the amount of \$24,482 that were for radios for the fire department were paid from the General and Gasoline Tax Funds in the amount of \$15,000 and \$9,482, respectively. The grant for these radios was originally posted to the Fire District Fund; therefore, the expenditures should have been made from the Fire District Fund. This resulted in a prior period adjustment to the January 1, 2018 beginning balance of the General, Gasoline Tax, and Fire District Funds.

Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The Township did not have control procedures in place to ensure that expenditures are charged to the correct fund based upon the nature of the expenditure.

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 Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials Response: The Township will strive to implement control to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2019-005

Noncompliance

Ohio Rev. Code § 5705.38(A) states, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April.

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.

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

**FINDING NUMBER 2019-005
(Continued)**

Noncompliance - Ohio Rev. Code §§ 5705.38(A) and 5705.41(B) (Continued)

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's General Fund had expenditures in excess of appropriations of \$10,912, as of December 31, 2019.

Also, due to the Township Board not approving appropriations for 2018, the Township's General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Cemetery, and Fire District Funds had expenditures in excess of appropriations of \$64,300, \$5,120, \$59,147, \$20,612, \$23,555, and \$20,663, as of December 31, 2018.

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.

The Township should ensure that permanent appropriations are passed by the Board of Trustees no later than April 1st each year. The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials Response: The Township will strive to ensure that permanent appropriations are passed by the Board of Trustees no later than April 1st each year. The Board of Trustees will strive to closely monitor expenditures and appropriations and make necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. The Fiscal Officer will deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2019-006

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township should maintain an accounting system and accounting records sufficient to enable the Township to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example); classify disbursements by fund, program (general government, for example) or object (personal services, for example); and provides suggested fund balance classifications and clarifies the existing governmental fund type definitions. Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2019-006
(Continued)**

Material Weakness (Continued)

The Township did not always record receipts and disbursements into accurate classifications on the financial statements. Also, the Township did not properly classify its December 31, 2019 and 2018 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

The UAN Accounting and General Manual provides five suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

During 2019, we noted the following:

- Homestead and Rollback receipts in the General Fund were classified as Miscellaneous rather than Intergovernmental in the amount of \$2,542.
- Refunds were classified as Intergovernmental rather than Miscellaneous in the amount of \$284 in the General Fund.
- General Obligation Bond proceeds in the New Building Project fund in the amount of \$185,000 were classified as Other Debt Proceeds rather than Sale of Bonds.
- Fund Balance of the General Fund was classified as Committed rather than Assigned in the amount of \$13,450 and Unassigned in the amount of \$19,081.
- Fund Balance of the Cemetery Bequest Fund was classified as Restricted rather than Nonspendable in the amount of \$500 and Assigned in the amount of \$333.
- Fund Balance of the New Building Project Fund was classified as Committed rather than Restricted in the amount of \$83,499.

During 2018, we noted the following:

- Homestead and Rollback and Township Supplement receipts in the General Fund were classified as Property and Other Local Taxes rather than Intergovernmental in the amount of \$3,316.
- Homestead and Rollback receipts were improperly posted to Property and Other Local Taxes rather than Intergovernmental in the Road and Bridge, Cemetery, and Fire District Funds in the amounts of \$1,665, \$1,736, \$2,395, respectively.
- Liquor Permit and Township Supplement receipts were classified as Miscellaneous rather than Intergovernmental in the amount of \$1,816 in the General Fund.
- Property Tax receipts were posted using the net receipt amounts rather than the gross receipt amounts resulting in understating revenues and expenditures for the corresponding County Auditor and Treasurer deductions for the General, Road and Bridge, Cemetery and Fire District Funds in the amounts of \$1,044, \$422, \$487, and \$663, respectively.
- Fund Balance of the General Fund was classified as Committed rather than Unassigned in the amount of \$56,035.
- Fund Balance of the Cemetery Bequest Fund was classified as Restricted rather than Nonspendable in the amount of \$500 and Assigned in the amount of \$333.

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 Township's financial position and operations.

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

**FINDING NUMBER 2019-006
(Continued)**

Material Weakness (Continued)

The Township should take the necessary steps to ensure that all receipts, disbursements and fund balances are properly presented and disclosed in the Township's financial statements. When classifying fund balance in accordance with GASB 54 the Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for guidance.

Officials Response: The Township will strive to improve the necessary steps to ensure that all receipts, disbursements and fund balances are properly presented and disclosed in the Township's financial statements.

FINDING NUMBER 2019-007

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

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 Board to make informed decisions regarding budgetary matters.

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

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. Due to appropriations for 2018 not approved by the Board, appropriations were not properly posted to the accounting system. Therefore, the following variances were noted for 2018:

Fund	Approved Appropriations	Appropriations Posted to the Accounting System	Variance
General	\$0	\$54,756	\$54,756
Motor Vehicle License Tax	0	10,116	10,116
Gasoline Tax	0	49,583	49,583
Road & Bridge	0	25,041	25,041
Cemetery	0	16,000	16,000
Fire District	0	73,979	73,979
Cemetery Bequest	0	833	833

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2019-007
(Continued)**

Material Weakness (Continued)

Failure to accurately post the appropriations to the ledgers 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 Township should post to the ledgers, on a timely basis, appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure appropriations have been properly posted to the ledgers.

Officials Response: The Township will strive to post to the ledgers, on a timely basis, appropriations approved by the Board. The Township will strive to monitor budget versus actual reports to help ensure appropriations have been properly posted to the ledgers.

FINDING NUMBER 2019-008

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Township's staff did not allow for an adequate segregation of duties as the Fiscal Officer performed all accounting functions. Therefore, it is important that the Board of Trustees functions as a finance committee to monitor financial activity closely. The Trustees were not provided financial reports for review and approval at the Township meetings. As a result, errors or irregularities could go undetected.

The review and formal approval of financial reports by the Board of Trustees should be performed and be documented in the minutes of the Township meetings.

Officials Response: The Township will strive to review and formal approve the financial reports by the Board of Trustees and document them in the minutes of the Township Meeting.

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OHIO AUDITOR OF STATE KEITH FABER



FREEPORT TOWNSHIP

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 9/22/2020

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