



**Auditor of State
Betty Montgomery**

**FREEPORT TOWNSHIP
HARRISON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2004.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 9, 2006

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Freeport Township, Harrison County, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2004 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004 and 2005. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Freeport Township, Harrison County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 9, 2006

FREEPORT TOWNSHIP
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types		Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Nonexpendable Trust	
Cash Receipts:				
Local Taxes	\$10,294	\$33,831		\$44,125
Intergovernmental	10,809	111,642		122,451
Earnings on Investments	71	218	\$15	304
Other Revenue	1,335	1,146		2,481
Total Cash Receipts	22,509	146,837	15	169,361
Cash Disbursements:				
Current:				
General Government	21,400			21,400
Public Safety		16,166		16,166
Public Works	793	87,427		88,220
Health	1,032	11,055		12,087
Redemption of Principal		16,418		16,418
Interest and Fiscal Charges		3,582		3,582
Total Cash Disbursements	23,225	134,648		157,873
Total Receipts Over/(Under) Disbursements	(716)	12,189	15	11,488
Other Financing Receipts and (Disbursements):				
Other Sources	2,500	5,592		8,092
Other Uses		(8,092)		(8,092)
Total Other Financing Receipts/(Disbursements)	2,500	(2,500)		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,784	9,689	15	11,488
Fund Cash Balances, January 1	7,282	67,577	666	75,525
Fund Cash Balances, December 31	\$9,066	\$77,266	\$681	\$87,013

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

FREEPORT TOWNSHIP
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types		Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Nonexpendable Trust	
Cash Receipts:				
Local Taxes	\$10,821	\$35,449		\$46,270
Intergovernmental	10,503	104,842		115,345
Earnings on Investments	56	154	\$15	225
Other Revenue	850	4,655		5,505
Total Cash Receipts	22,230	145,100	15	167,345
Cash Disbursements:				
Current:				
General Government	22,655			22,655
Public Safety		15,689		15,689
Public Works	822	89,685		90,507
Health	422	18,205		18,627
Capital Outlay		62,173		62,173
Total Cash Disbursements	23,899	185,752		209,651
Total Receipts Over/(Under) Disbursements	(1,669)	(40,652)	15	(42,306)
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		44,796		44,796
Other Sources		10,489		10,489
Other Uses		(10,489)		(10,489)
Total Other Financing Receipts/(Disbursements)		44,796		44,796
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,669)	4,144	15	2,490
Fund Cash Balances, January 1	8,951	63,433	651	73,035
Fund Cash Balances, December 31	\$7,282	\$67,577	\$666	\$75,525

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

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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 protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Gas Tax Fund - This fund receives tax money to maintain the Township roads. .

Federal Emergency Management Agency Fund - This fund receives federal grant monies for flood repairs.

3. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by legally binding trust.

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township had the following significant fiduciary fund:

Cemetery Bequest Fund - This fund receives interest monies for maintenance of the Township Cemetery.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

F. 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.

2. EQUITY IN POOLED CASH

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

	<u>2005</u>	<u>2004</u>
Demand deposits	<u>\$87,013</u>	<u>\$75,525</u>

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

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,006	\$25,009	\$3
Special Revenue	148,941	152,429	3,488
Fiduciary	15	15	0
Total	\$173,962	\$177,453	\$3,491

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$23,225	(\$23,225)
Special Revenue		142,740	(142,740)
Fiduciary			
Total		\$165,965	(\$165,965)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,210	\$22,230	\$20
Special Revenue	146,040	200,385	54,345
Fiduciary	15	15	0
Total	\$168,265	\$222,630	\$54,365

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$23,899	(\$23,899)
Special Revenue		196,241	(196,241)
Fiduciary			
Total	\$0	\$220,140	(\$220,140)

Contrary to Ohio law, the Township did not approve permanent appropriations for either year. As a result, budgetary expenditures exceeded appropriation authority in all funds for the years ended December 31, 2005 and 2004.

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$28,378	4.32%

The General Obligation note was issued to purchase a new Township truck. The note was dated March 19, 2004 for \$44,796 with a maturity date of 2007. The first annual payment was made in 2004. The note is collateralized with the deed to the Township truck.

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

	General Obligation Notes
Year ending December 31:	
2006	\$15,115
2007	14,489
Total	\$29,604

6. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plans. 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. For 2005 and 2004, members of OPERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

This page intentionally left blank.



Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

We have audited the financial statements of Freeport Township, Harrison County (the Township) as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated November 9, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated November 9, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion 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 one instance of noncompliance that we must report under *Government Auditing Standard*, which is described in the accompanying schedule of findings as item reference number, 2005-001. In a separate letter to the Township's management dated November 9, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and the Township Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 9, 2006

**FREEPORT TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Non Compliance Citation

Ohio Revised Code Section 5705.38 states that on or about the first day of the fiscal year an appropriation measure is to be passed. In addition, **Ohio Revised Code Section 5705.41 (B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated.

As the Board of Trustees did not pass an appropriation for 2004 or for 2005 and as expenditures are limited by the appropriations established for each fund, none of the expenditures made by the Township in 2004 and in 2005 were in compliance with Ohio Revised Code.

Failure to establish appropriations for all funds could result in overspending and negative cash balances. To comply with budgetary requirements, the Board of Trustees should pass a permanent appropriation measure for all Township funds by April 1. The Board of Trustees should continually monitor budget versus actual amounts to ensure that overspending does not occur. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations.

Officials' Response

We did not receive a response from Officials to this finding.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FREEPORT TOWNSHIP

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 4, 2007**