



Dave Yost • Auditor of State

**FREEDOM TOWNSHIP
PORTAGE COUNTY
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance – (Cash Basis) - All Governmental Fund Types: For the Years Ended December 31, 2017	3
Notes to the Financial Statements for the Year Ended December 31, 2017.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balance – (Cash Basis) - All Governmental Fund Types: For the Years Ended December 31, 2016	13
Notes to the Financial Statements for the Year Ended December 31, 2016.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings	23
Prepared by Management:	
Summary Schedule of Prior Audit Findings	29

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Freedom Township
Portage County
8966 State Route 700
Ravenna, Ohio 44266

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Freedom Township, Portage County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, 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 the Freedom Township, Portage County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

November 13, 2018

Freedom Township
Portage 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, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 92,559	\$ 54,148	\$ -	\$ 146,707
Licenses, Permits and Fees	7,441	12,657	-	20,098
Intergovernmental	57,205	92,213	-	149,418
Earnings on Investments	307	354	-	661
Miscellaneous	24,052	5,734	-	29,786
<i>Total Cash Receipts</i>	<u>181,564</u>	<u>165,106</u>	<u>-</u>	<u>346,670</u>
Cash Disbursements				
Current:				
General Government	155,141	3,101	-	158,242
Public Works	1,500	139,579	-	141,079
Health	5,930	9,151	-	15,081
Conservation-Recreation	2,275	824	-	3,099
<i>Total Cash Disbursements</i>	<u>164,846</u>	<u>152,655</u>	<u>-</u>	<u>317,501</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>16,718</u>	<u>12,451</u>	<u>-</u>	<u>29,169</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	-	400	16,500	16,900
Other Financing Uses	(1,184)	-	-	(1,184)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,184)</u>	<u>400</u>	<u>16,500</u>	<u>15,716</u>
<i>Net Change in Fund Cash Balances</i>	15,534	12,851	16,500	44,885
<i>Fund Cash Balances, January 1</i>	<u>24,173</u>	<u>152,877</u>	<u>-</u>	<u>177,050</u>
Fund Cash Balances, December 31				
Restricted	-	165,441	16,500	181,941
Committed	-	287	-	287
Assigned	39,707	-	-	39,707
<i>Fund Cash Balances, December 31</i>	<u>\$ 39,707</u>	<u>\$ 165,728</u>	<u>\$ 16,500</u>	<u>\$ 221,935</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1 – REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Freedom Township, Portage County, as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance.

Jointly Governed Organizations and Public Entity Risk Pool

The Township participates in two jointly governed organizations and one public entity risk pool. Notes 6 and 8 to the financial statements provides additional information on these entities, which are:

Jointly Governed Organization - The Garrettsville-Freedom-Nelson Joint Fire District which provides fire protection services to Township residents.

Jointly Governed Organization - The Community Emergency Medical Service District which provides ambulance service to Township residents

Public Entity Risk Pool – Ohio Township Association Risk Management Authority (OTARMA) which provides property and casualty insurance for its members.

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 which is organized on a fund type basis.

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 Funds:

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees 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 has the Miscellaneous Capital Projects Fund which is to be used for purchase of equipment in the future.

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 Portage 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 re-appropriated.

A summary of 2017 budgetary activity appears in Note 4.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

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

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:

Non-spendable - The Township classifies assets as *non-spendable* 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.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 as follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 178,968	\$ 181,564	\$ 2,596
Special Revenue	158,597	165,506	6,909
Capital Projects	-	16,500	16,500
Total	\$ 337,565	\$ 363,570	\$ 26,005

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 207,600	\$ 166,030	\$ 41,570
Special Revenue	306,648	152,655	153,993
Capital Projects	-	-	-
Total	\$ 514,248	\$ 318,685	\$ 195,563

NOTE 4 – DEPOSITS

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was \$221,935.

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

NOTE 5 – 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.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 6 - RISK MANAGEMENT (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2017 Contributions to OTARMA</u>
--

\$8,277

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Eight 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, 2017.

NOTE 8 – JOINTLY GOVERNED ORGANIZATIONS

The Township provides fire protection to its residents through the Garrettsville-Freedom-Nelson Joint Fire District which is directed by an appointed three-member Board of Trustees. One board Member is appointed by each political subdivision within the District. Those subdivisions are the Village of Garrettsville, Freedom Township and Nelson Township. The District is solely funded by voter approved tax levies. There is no funding received from District Members.

The Township provides ambulance service to its residents through the Community Emergency Medical Service District which is directed by an appointed three-member Board of Trustees. One Board Member is appointed by each political subdivision within the district. Those subdivisions are the Village of Garrettsville, Freedom Township and Nelson Township. The District is solely funded by voter approved tax levies. There is no funding received from District Members.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 1.0 percent during calendar year 2017.

This Page Intentionally Left Blank.

Freedom Township
Portage 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, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 90,768	\$ 55,688	\$ 146,456
Licenses, Permits and Fees	5,540	7,009	12,549
Intergovernmental	48,556	96,284	144,840
Earnings on Investments	251	217	468
Miscellaneous	32,029	3,942	35,971
<i>Total Cash Receipts</i>	<u>177,144</u>	<u>163,140</u>	<u>340,284</u>
Cash Disbursements			
Current:			
General Government	156,340	2,420	158,760
Public Works	-	92,031	92,031
Health	5,878	6,758	12,636
Human Services	4,718	200	4,918
<i>Total Cash Disbursements</i>	<u>166,936</u>	<u>101,409</u>	<u>268,345</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,208</u>	<u>61,731</u>	<u>71,939</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	2,600	2,600
Transfers Out	(2,600)	-	(2,600)
Other Financing Sources	-	826	826
Other Financing Uses	(1,105)	-	(1,105)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,705)</u>	<u>3,426</u>	<u>(279)</u>
<i>Net Change in Fund Cash Balances</i>	6,503	65,157	71,660
<i>Fund Cash Balances, January 1</i>	<u>17,670</u>	<u>87,720</u>	<u>105,390</u>
Fund Cash Balances, December 31			
Restricted	-	152,765	152,765
Committed	-	112	112
Assigned	24,173	-	24,173
<i>Fund Cash Balances, December 31</i>	<u>\$ 24,173</u>	<u>\$ 152,877</u>	<u>\$ 177,050</u>

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 1 – REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Freedom Township, Portage County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance.

Jointly Governed Organizations and Public Entity Risk Pool

The Township participates in two jointly governed organizations and one public entity risk pool. Notes 6 and 8 to the financial statements provides additional information on these entities, which are:

Jointly Governed Organization - The Garrettsville-Freedom-Nelson Joint Fire District which provides fire protection services to Township residents.

Jointly Governed Organization - The Community Emergency Medical Service District which provides ambulance service to Township residents

Public Entity Risk Pool – Ohio Township Association Risk Management Authority (OTARMA) which provides property and casualty insurance for its members.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

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 Funds:

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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 Portage 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.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 198,375	\$ 177,144	\$ (21,231)
Special Revenue	144,256	166,566	22,310
Total	\$ 342,631	\$ 343,710	\$ 1,079

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 172,641	\$ (172,641)
Special Revenue	-	102,210	(102,210)
Total	\$ -	\$ 274,851	\$ (274,851)

NOTE 4 – DEPOSITS

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was \$177,050.

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

NOTE 5 – 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.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the follow assets, liabilities and retained earnings at December 31, 2016.

<u>2016</u>	
Assets	\$38,473,283
Liabilities	<u>8,244,140</u>
Net Position	<u>\$30,229,143</u>

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Freedom Township
Portage County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - RISK MANAGEMENT (Continued)

<u>2016 Contributions to OTARMA</u>
--

\$8,362

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Eight 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, 2016.

NOTE 8 – JOINTLY GOVERNED ORGANIZATIONS

The Township provides fire protection to its residents through the Garrettsville-Freedom-Nelson Joint Fire District which is directed by an appointed three-member Board of Trustees. One board Member is appointed by each political subdivision within the District. Those subdivisions are the Village of Garrettsville, Freedom Township and Nelson Township. The District is solely funded by voter approved tax levies. There is no funding received from District Members.

The Township provides ambulance service to its residents through the Community Emergency Medical Service District which is directed by an appointed three-member Board of Trustees. One Board Member is appointed by each political subdivision within the district. Those subdivisions are the Village of Garrettsville, Freedom Township and Nelson Township. The District is solely funded by voter approved tax levies. There is no funding received from District Members.

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 2.0 percent during calendar year 2016.



Dave Yost • Auditor of State

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

Freedom Township
Portage County
8966 State Route 700
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of Freedom Township, Portage County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 through 2017-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 13, 2018

**FREEDOM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

1. Ohio Rev. Code § 5705.41(B)

<i>Finding Number</i>	2017-001
-----------------------	----------

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the Township may not exceed appropriations at the legal level for all funds.

During fiscal year 2016, the Township trustees failed to adopt a permanent appropriation measure which caused expenditures to exceed appropriations in total for all funds by 100% or \$274,018.

The Township had no reliable management oversight procedures or policies in place to ensure compliance with the Ohio Revised Code guidelines.

The Township should monitor appropriations and expenditures in all funds that are legally required to be budgeted to help ensure compliance with the above requirements.

Official's Response: The Fiscal Officer failed to have the trustees pass a resolution for permanent appropriations. It was an oversight and has since been corrected.

2. Financial Statement Misclassifications

<i>Finding Number</i>	2017-002
-----------------------	----------

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 had the following misclassification of receipts:

- During 2017 manufactured home tax receipts were improperly classified resulting in overstatements of Intergovernmental Receipts and understatements of Property and Other Local Tax receipts in the General and Special Revenue funds totaling \$732 and \$220, respectively.
- During 2016 Homestead and Rollback receipts were improperly allocated between funds and improperly classified resulting in overstatements of property and other local taxes and fund balance totaling \$19,565 and \$4,515, respectively, and an understatement of Intergovernmental Receipts totaling \$15,050 in the General Fund. It also resulted in understatements of Intergovernmental Receipts and Fund Balance totaling \$4,515 in the Special Revenue Road and Bridge Fund.

- During 2017 Homestead and Rollback receipts were improperly allocated between funds and improperly classified resulting in overstatements of property and other local taxes and fund balance totaling \$9,678 and \$2,233, respectively, and an understatement of Intergovernmental Receipts totaling \$7,445 in the General Fund. It also resulted in understatements of Intergovernmental Receipts and Fund Balance totaling \$2,233 in the Special Revenue Road and Bridge Fund.
- During 2017 cable franchise fees were improperly classified resulting in an overstatement of miscellaneous receipts and an understatement of Licenses, Fines and Fees totaling \$3,745 in the General Fund.

The Township had the following fund balance misclassifications:

- During 2016, the Township misclassified appropriations exceeding estimated receipts as unassigned fund balance instead of assigned fund balance resulting in an overstatement of \$24,173 in unassigned fund balance and an understatement in the assigned fund balance of \$24,173.
- During 2017, the Township misclassified appropriations exceeding estimated receipts as unassigned fund balance instead of assigned fund balance resulting in an overstatement of \$39,707 in unassigned fund balance and an understatement in the assigned fund balance of \$39,707.
- During 2016, the Township Park Development Fund monies were incorrectly classified as assigned causing an overstatement in assigned fund balance of \$9,439 and an understatement of \$9,327 in restricted fund balance and an understatement of \$112 in committed fund balance.
- During 2017, the Township Park Development Fund monies were incorrectly classified as assigned causing an overstatement in assigned fund balance of \$12,532 and an understatement of \$12,245 in restricted fund balance and an understatement of \$287 in committed fund balance.
- During 2017, the Township misclassified restricted fund balance as committed. Because no formal resolution from the board was approved to commit the monies in the fund this caused an overstatement in committed fund balance in the amount of \$16,500 and an understatement in restricted fund balance of \$16,500.

The financial statements have been adjusted to correct for these misclassifications.

The Township had no management oversight procedures or policies in place to ensure receipts are properly classified.

To help ensure complete and accurate financial reporting, the Fiscal Officer should closely monitor all receipts to ensure amounts are posted to the proper accounts. In addition, the Fiscal Officer should refer to the Ohio Township Handbook to help ensure proper accounts are being used.

Also, to help ensure complete and accurate financial reporting, the Fiscal Officer should refer to the Ohio Township Handbook and the GASB 54 sheet within the Township Accounting Manual to ensure the proper fund balances are being used.

Official's Response: When receipts do not fall into a specified category I put the funds in the fund that is closest to where I felt they should be. I sometimes do refer to the UAN account charts. It was explained to me more clearly "restricted" and "assigned" accounts.

3. **Posting Budgetary Amounts**

<i>Finding Number</i>	2017-003
-----------------------	----------

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

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Board were not properly posted to the accounting system and the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

In addition, several errors were noted in the Notes to the Financial Statements regarding "Budgetary Activity".

The following errors were noted for 2016:

- General Fund budgeted receipts were understated in the accounting system and the budgetary presentation footnote by \$1,602.
- Total Special Revenue Fund budgeted receipts were understated in the accounting system and budgetary presentation footnote by \$880.
- Total General Fund appropriations were overstated in the accounting system and budgetary presentation footnote by \$202,865 because the Township failed to approve appropriations in 2016.
- Total Special Revenue Fund appropriations were overstated in the accounting system and budgetary presentation footnote by \$143,400 because the Township failed to approve appropriations in 2016.

The following errors were noted for 2017:

- General Fund budgeted receipts were overstated in the accounting system and the budgetary presentation footnote by \$26,633.
- The following variances were noted between appropriations approved by the Board of Trustees and the Certificate of Estimated Resources compared to budgeted receipts and budgeted disbursements entered into the Township's accounting system:
 - Total Special Revenue Fund budgeted receipts were overstated in the accounting system by \$141,157 and overstated in the budgetary presentation footnote by \$157,658.
 - Total Capital Project Fund budgeted receipts were understated in the accounting system by \$16,500 and overstated in the Special Revenue Fund by \$16,500.
 - Total General Fund appropriations were understated in the budgetary presentation footnote by \$2,000.
 - Total Special Revenue Funds appropriations were understated in the accounting system by \$6,094 and understated in the budgetary presentation footnote by \$6,894.

The Township's budgetary information in the Notes to the Financial Statements has been corrected for the above errors.

Failure to accurately post the appropriations and estimated resources 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, estimated resources as certified by the budget commission and appropriations approved by the Board of Trustees. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Official's Response: More timely reporting and participation of the Board is being done. Reports on appropriation balances and fund status are presented monthly. Several attempts to acquire help, instruction and guidance were made to UAN accounting, LGS support and asking for person to person help. In all instances help was not forthcoming. One neighboring fiscal officer tried to help, but some of the problems were over her head. Also it seems "visiting clerks" were not available from LGS either.

4. Fund Balance Adjustments

<i>Finding Number</i>	2017-004
-----------------------	----------

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.

Adjustments were recorded in the Township's accounting system which resulted in a net increase in fund balance in both 2017 and 2016. Documentation was not maintained to support the authorization or purpose of these adjustments.

During 2016 three adjustments totaling \$3,777 were made to increase the General Fund balance and a fourth adjustment totaling \$832 was made to reduce the General Fund balance for unknown variances between the Township's bank and book balances which accumulated over a period of months. The Board of Trustees retroactively approved the adjustment to lower the General Fund balance under audit.

During 2017 one adjustment was made for \$332 to increase Special Revenue Fund balance.

Adjustments were made to the 2016 and 2017 financial statements to account for these fund balance adjustments.

The Township had no reliable management oversight procedures or policies in place to properly monitor and account for fund balance accounting system adjustments.

The Township should make adjustments to fund balance only when absolutely necessary. Additionally, detailed documentation to support the authorization and purpose of all fund balance adjustments should be compiled and maintained.

Official's Response: Fiscal officer made adjustments as she needed, but neglected getting a motion from Trustees prior to adjustment. This was misunderstood by the Fiscal Officer. Future changes will be done with approval of trustees.

This Page Intentionally Left Blank.



Freedom Township

Portage County, Ohio

John C. Zizka
Chairman
9177 Asbury Road
Mantua, Oh 44255
330.569.4515

Roy E. Martin
Vice-Chairman
5934 Streeter Rd
Mantua, Oh 44255
330.801.1325

Jeffrey M. Derthick
Trustee
6470 Streeter Rd
Mantua, Oh 44255
330.221.1046

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-01	Repeated from 2013-01 Receipt and disbursement classification errors	Not corrected	Repeated as Finding 2017-002
2015-02	Repeated from 2013-02 Unresolved bank to book reconciliation differences	Corrected	Finding no longer valid
2015-03	Repeated from 2013-03 Ohio Rev. Code 5705.14 Transfer made without Board of Trustee approval	Corrected	Finding no longer valid
2015-04	Ohio Rev. Code 5705.38 Failure to adopt appropriations	Not corrected	Repeated in the Management Letter
2015-05	Ohio Rev. Code 5705.39 Appropriations exceeded estimated resources	Not corrected	Repeated in the Management Letter
2015-06	Ohio Rev. Code 5705.41(D) Failure to properly certify availability of funds prior to disbursement	Not corrected	Repeated in the Management Letter

Karen S. Martin, Fiscal Officer
5934 Streeter Road ■ Mantua, Ohio 44255
Phone: 330.760.0140 (Mobile) ■ Fax: 330.274.2182
E-Mail: KSMFreedomTwp@aol.com

This page intentionally left blank.



Dave Yost • Auditor of State

FREEDOM TOWNSHIP

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2018**