



Mary Taylor, CPA
Auditor of State

FREEDOM TOWNSHIP
WOOD COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	13
Statement of Cash Receipts, Disbursements and Changes in - Cash Basis Fund Balances - Governmental Funds	14
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – General Fund	15
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Gasoline Tax Fund.....	16
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Road and Bridge Fund.....	17
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Fire and EMS Fund.....	18
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Fire and Rescue Ambulance EMS Services Fund	19
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual – Budget Basis – Fire and Ambulance Service Fund	20
Notes to the Financial Statements	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	33

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Freedom Township
Wood County
198 Water Street, P.O. Box 796
Pemberville, OH 43450-0796

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Township, Wood County, Ohio (the Township), as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Township, Wood County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, Fire and EMS, Fire and Ambulance Services and Fire and Rescue Ambulance EMS Service funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2009, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 9, 2009

**FREEDOM TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

This discussion and analysis of the Freedom Township, Wood County (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, governmental activities are shown. The Township's basic services are reported here, including roads and fire/EMS. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's has six major governmental funds: the General Fund, Gasoline Tax, Road and Bridges, Fire and EMS, Fire and Ambulance Service and Fire and Rescue Ambulance EMS Services Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a cash basis:

**FREEDOM TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
Assets		
Cash and Cash Equivalents	\$864,338	\$885,548
Total Assets	\$864,338	\$885,548
Net Assets		
Other Purposes	801,292	763,319
Unrestricted	63,046	122,229
Total Net Assets	\$864,338	\$885,548

Net assets of governmental activities decreased \$21,210 or 2 percent during 2008. The primary reasons contributing to the increases in cash balances are as follows:

- The Township was required to reimburse the county auditor \$16,215 from 2007 estate taxes that were received.
- The Township purchased property for future growth and development.
- The Township repaired numerous roads by either repaving, sealing or patchwork that resulted in higher than normal expenses.
- Interest earning decreased drastically due to low interest rates.
- Due to the economy, overall costs of daily operations and fuel prices were extremely high.

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$103,936	\$120,231
Operating Grants and Contributions	172,796	161,588
Capital Grants and Contributions	4,064	103,476
Total Program Receipts	280,796	385,295
General Receipts:		
Property Taxes	324,563	340,166
Sale of Capital Assets		2,100
Grants and Entitlements Not Restricted to Specific Programs	74,204	96,683
Interest	8,343	17,837
Miscellaneous	4,754	14,661
Other Debt Proceeds		75,000
Total General Receipts	411,864	546,447
Total Receipts	692,660	931,742
Disbursements:		
General Government	129,651	129,091
Public Safety	205,881	306,868
Public Works	266,205	142,662
Health	33,732	16,920
Capital Outlay	34,993	184,729
Principal	40,342	36,496
Interest	3,066	3,368
Total Disbursements	713,870	820,134
Increase (Decrease) In Net Assets	(21,210)	111,608
Net Assets, January 1	885,548	773,940
Net Assets, December 31	\$864,338	\$885,548

Program receipts represent only 41 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money and emergency medical service contracts.

General receipts represent 59 percent of the Township's total receipts, and of this amount, over 79 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of Township Trustees and Fiscal Officer, as well as internal services such as payroll and purchasing.

Public safety is the costs of fire protection. Health is the health department.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and public safety which account for 16 and 37 percent of all governmental disbursements, respectively. Public works also represents a significant cost, about 17 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$129,651	\$115,942	\$129,091	\$126,842
Public Safety	205,881	78,022	306,868	81,092
Public Works	266,205	135,757	142,662	(6,218)
Health	33,732	24,952	16,920	8,530
Capital Outlay	34,993	34,993	184,729	184,729
Principal	40,342	40,342	36,496	36,496
Interest	3,066	3,066	3,368	3,368
Total Expenses	\$713,870	\$433,074	\$820,134	\$434,839

The dependence upon property and other tax receipts is apparent as over 60 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$692,660 and disbursements of \$713,870. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$59,183 as the result of property purchased, reimbursement of estate taxes and lower interest rates in 2008.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

General Fund receipts were lower than disbursements by \$59,183 indicating the General Fund is again in a deficit spending situation. It was the recommendation of the Trustees that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2009 including controlling health insurance premiums. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and income taxes remains stagnant.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2008, the Township had to amend its General Fund budget in order to make the first payment on the property purchased. The actual receipts were below the budgeted receipts mainly due to decreased interest earned for the year.

Final disbursements were budgeted at \$170,230 while actual disbursements were \$157,476. With receipts lower than expected and appropriations held below budget, the General Fund balance still decreased because the township elected to invest in property for future development. The Township was able to keep spending below budgeted amounts. However, the investment in property was the major reason for the balance reductions. The result is a decrease in fund balance of \$59,183 for 2008.

Capital Assets and Debt Administration

Capital Assets

The Township keeps track of its capital assets and infrastructure. The Township continues to update its equipment for the township and the fire department as well as maintaining all township owned buildings.

Debt

At December 31, 2008, the Township's outstanding debt included \$93,254 in notes for a fire tanker and property.

Current Issues

The challenge for all Township's is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. In 2008, the Township is still dealing with a major dispute over contracted services for road repairs done in 2006. Henry W. Bergman and the Township (Wood County Prosecutor) are working on resolving a road resurfacing project. At the Wood County Prosecutors advice, the Township has withheld all payments for this road project until the matter can be resolved. Because of this, the Township is currently carrying a higher than normal balance in its Gasoline Tax Fund which in turn has inflated the Townships overall checking balance. The upside of this issue is that the Township has and continues to earn interest on this money.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David E. Gerwin, Fiscal Officer, Freedom Township – Wood County, 198 Water Street, Pemberville, Ohio 43450-0796.

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**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2008*

	<u>Governmental Activities</u>
Assets	
Cash	<u><u>\$864,338</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$801,292
Unrestricted	<u>63,046</u>
<i>Total Net Assets</i>	<u><u>\$864,338</u></u>

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2008*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$129,651	\$1,449	\$12,260		(\$115,942)
Public Safety	205,881	87,945	35,850	\$4,064	(78,022)
Public Works	266,205	5,762	124,686		(135,757)
Health	33,732	8,780			(24,952)
Capital Outlay	34,993				(34,993)
Debt Service:					
Principal	40,342				(40,342)
Interest	3,066				(3,066)
<i>Total Governmental Activities</i>	<u>\$713,870</u>	<u>\$103,936</u>	<u>\$172,796</u>	<u>\$4,064</u>	<u>(433,074)</u>
General Receipts					
Property Taxes					324,563
Grants and Entitlements not Restricted to Specific Programs					74,204
Earnings on Investments					8,343
Miscellaneous					4,754
<i>Total General Receipts</i>					<u>411,864</u>
Change in Net Assets					(21,210)
<i>Net Assets Beginning of Year</i>					<u>885,548</u>
<i>Net Assets End of Year</i>					<u><u>\$864,338</u></u>

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008*

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE AND EMS	FIRE AND RESCUE AMBULANCE EMS SERVICE	FIRE AND AMBULANCE SERVICES	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets								
Cash	\$63,046	\$163,822	\$114,285	\$203,958	\$92,352	\$116,770	\$110,105	\$864,338
Fund Balances								
Reserved:								
Reserved for Encumbrance:		\$65,943	\$40,000				\$2,114	\$108,057
Unreserved:								
Undesignated, Reported in:								
General Fund	\$63,046							63,046
Special Revenue Funds		97,879	74,285	\$203,958	\$92,352	\$116,770	107,991	693,235
Total Fund Balances	<u>\$63,046</u>	<u>\$163,822</u>	<u>\$114,285</u>	<u>\$203,958</u>	<u>\$92,352</u>	<u>\$116,770</u>	<u>\$110,105</u>	<u>\$864,338</u>

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008*

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE AND EMS	FIRE AND RESCUE AMBULANCE EMS SERVICE	FIRE AND AMBULANCE SERVICES	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts								
Property and Other Local Taxes	\$41,666		\$49,733	\$140,163	\$46,721		\$46,280	\$324,563
Charges for Services			9,252	39,344		\$42,267	2,843	93,706
Licenses, Permits and Fees	1,450						8,780	10,230
Intergovernmental	45,781	\$89,722	9,887	42,142	10,555		32,996	231,083
Earnings on Investments	8,341	6,435					1,288	16,064
Gifts and Donations				12,260				12,260
Miscellaneous	1,055	858	141	152			2,548	4,754
Total Receipts	98,293	97,015	69,013	234,061	57,276	42,267	94,735	692,660
Disbursements								
Current:								
General Government	129,651							129,651
Public Safety	545			147,329	23,499	16,003	18,505	205,881
Public Works		142,097	65,325				58,783	266,205
Health	5,019						28,713	33,732
Capital Outlay		214		16,997		12,260	5,522	34,993
Debt Service:								
Principal Retirement	22,261			13,081	5,000			40,342
Interest and Fiscal Charges				1,066	2,000			3,066
Total Disbursements	157,476	142,311	65,325	178,473	30,499	28,263	111,523	713,870
Net Change in Fund Balances	(59,183)	(45,296)	3,688	55,588	26,777	14,004	(16,788)	(21,210)
Fund Balances Beginning of Year	122,229	209,118	110,597	148,370	65,575	102,766	126,893	885,548
Fund Balances End of Year	<u>\$63,046</u>	<u>\$163,822</u>	<u>\$114,285</u>	<u>\$203,958</u>	<u>\$92,352</u>	<u>\$116,770</u>	<u>\$110,105</u>	<u>\$864,338</u>

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$45,500	\$45,500	\$41,666	(\$3,834)
Licenses, Permits and Fees	2,500	2,500	1,450	(1,050)
Intergovernmental	38,693	38,693	45,781	7,088
Earnings on Investments	15,000	15,000	8,341	(6,659)
Miscellaneous		525	1,055	530
<i>Total Receipts</i>	101,693	102,218	98,293	(3,925)
Disbursements				
Current:				
General Government	129,706	129,686	129,651	35
Public Safety	575	575	545	30
Health	10,450	10,469	5,019	5,450
Capital Outlay	5,500	7,239		7,239
Debt Service:				
Principal Retirement		22,261	22,261	
<i>Total Disbursements</i>	146,231	170,230	157,476	12,754
<i>Net Change in Fund Balance</i>	(44,538)	(68,012)	(59,183)	8,829
<i>Fund Balance Beginning of Year</i>	122,229	122,229	122,229	
<i>Fund Balance End of Year</i>	\$77,691	\$54,217	\$63,046	\$8,829

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$85,000	\$85,000	\$89,722	\$4,722
Earnings on Investments	9,000	9,000	6,435	(2,565)
Miscellaneous	1,000	1,000	858	(142)
<i>Total Receipts</i>	95,000	95,000	97,015	2,015
Disbursements				
Current:				
Public Works	188,500	188,500	208,040	(19,540)
Capital Outlay	1,000	1,000	214	786
<i>Total Disbursements</i>	189,500	189,500	208,254	(18,754)
<i>Net Change in Fund Balance</i>	(94,500)	(94,500)	(111,239)	(16,739)
<i>Fund Balance Beginning of Year</i>	209,118	209,118	209,118	
<i>Fund Balance End of Year</i>	\$114,618	\$114,618	\$97,879	(\$16,739)

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$52,000	\$52,000	\$49,733	(\$2,267)
Charges for Services	9,250	9,250	9,252	2
Licenses, Permits and Fees	100	100		(100)
Intergovernmental	6,750	6,750	9,887	3,137
Miscellaneous	150	150	141	(9)
<i>Total Receipts</i>	<u>68,250</u>	<u>68,250</u>	<u>69,013</u>	<u>763</u>
Disbursements				
Current:				
Public Works	<u>110,300</u>	<u>121,300</u>	<u>105,325</u>	<u>15,975</u>
<i>Net Change in Fund Balance</i>	(42,050)	(53,050)	(36,312)	16,738
<i>Fund Balance Beginning of Year</i>	<u>110,597</u>	<u>110,597</u>	<u>110,597</u>	
<i>Fund Balance End of Year</i>	<u><u>\$68,547</u></u>	<u><u>\$57,547</u></u>	<u><u>\$74,285</u></u>	<u><u>\$16,738</u></u>

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire and EMS Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Receipts				
Property and Other Local Taxes	\$153,500	\$153,500	\$140,163	(\$13,337)
Charges for Services	39,394	39,394	39,344	(50)
Intergovernmental	19,914	19,914	42,142	22,228
Gifts and donations	12,260		12,260	12,260
Miscellaneous	250	250	152	(98)
<i>Total Receipts</i>	<u>225,318</u>	<u>213,058</u>	<u>234,061</u>	<u>21,003</u>
Disbursements				
Current:				
General Government				
Public Safety	174,950	174,950	147,329	27,621
Capital Outlay	36,777	36,777	16,997	19,780
Debt Service:				
Principal Retirement	12,000	13,081	13,081	
Interest and Fiscal Charges	3,000	1,919	1,066	853
<i>Total Disbursements</i>	<u>226,727</u>	<u>226,727</u>	<u>178,473</u>	<u>48,254</u>
<i>Net Change in Fund Balance</i>	(1,409)	(13,669)	55,588	69,257
<i>Fund Balance Beginning of Year</i>	<u>148,370</u>	<u>148,370</u>	<u>148,370</u>	
<i>Fund Balance End of Year</i>	<u>\$146,961</u>	<u>\$134,701</u>	<u>\$203,958</u>	<u>\$69,257</u>

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire and Rescue Ambulance EMS Service Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Charges for Services	\$51,000	\$51,000	\$46,721	(\$4,279)
Intergovernmental	5,000	5,000	10,555	5,555
Miscellaneous	100	100		(100)
<i>Total Receipts</i>	56,100	56,100	57,276	1,176
Disbursements				
Current:				
Public Safety	43,000	43,000	23,499	19,501
Capital Outlay	12,500	12,500		12,500
Debt Service:				
Principal Retirement	5,000	5,000	5,000	
Interest and Fiscal Charges	2,000	2,000	2,000	
<i>Total Disbursements</i>	62,500	62,500	30,499	32,001
<i>Net Change in Fund Balance</i>	(6,400)	(6,400)	26,777	33,177
<i>Fund Balance Beginning of Year</i>	65,575	65,575	65,575	
<i>Fund Balance End of Year</i>	\$59,175	\$59,175	\$92,352	\$33,177

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire and Ambulance Service Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Charges for Services	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$42,267</u>	<u>(\$7,733)</u>
Disbursements				
Current:				
Public Safety	43,000	43,000	16,003	26,997
Capital Outlay	<u>15,000</u>	<u>15,000</u>	<u>12,260</u>	<u>2,740</u>
<i>Total Disbursements</i>	<u>58,000</u>	<u>58,000</u>	<u>28,263</u>	<u>29,737</u>
<i>Net Change in Fund Balance</i>	(8,000)	(8,000)	14,004	22,004
<i>Fund Balance Beginning of Year</i>	<u>102,766</u>	<u>102,766</u>	<u>102,766</u>	
<i>Fund Balance End of Year</i>	<u><u>\$94,766</u></u>	<u><u>\$94,766</u></u>	<u><u>\$116,770</u></u>	<u><u>\$22,004</u></u>

See accompanying notes to the basic financial statements

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 1 – REPORTING ENTITY

Freedom Township, Wood County, Ohio (the Township), is a body politic and corporate established in the late 1800's to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township also maintains the Pemberville-Freedom Fire Department for fire protection. Police protection is provided by the Wood County Sheriff Office along with the Village of Pemberville.

B. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Township participates in one jointly governed organization. Note 11 to the financial statements provides additional information for this entity. This organization is:

Jointly Governed Organization:

Pemberville Union Cemetery Board: This board is comprised of members from Freedom Township and the Village of Pemberville.

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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township has five major governmental funds. They are:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for 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.

Gasoline Tax Fund – The Gasoline Tax Fund receives gasoline tax money to pay for constructing, maintaining and repairing the Township's roads.

Road and Bridge Fund – The Road and Bridge Fund receives property tax monies for constructing, maintaining and repairing the Township's roads and bridges.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire and EMS Fund – The Fire and EMS Fund receives property tax monies, contracts for Fire/EMS services and state/federal grant monies to provide Fire and EMS services within the Township and parts of Webster Township.

Fire and Ambulance Services Fund – The Fire and Ambulance Service Fund receives property tax monies used for providing and maintaining fire and EMS equipment, buildings and sites.

Fire and Rescue Ambulance EMS Service Fund – The Fire and Rescue Ambulance EMS Service Fund receives the revenues generated by ambulance runs. This fund is used mainly to purchase restocking supplies for the ambulances and to purchase new ambulances as needed.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$8,341 which includes \$5,165 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township has no restricted assets.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township’s cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include special revenue funds. Those resources are restricted for road and bridges, cemetery and fire/EMS services.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gas Tax, Road and Bridge, Fire and EMS, Fire and Rescue Ambulance EMS Service and Fire and Ambulance Services funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$65,943 in the Gasoline Tax Fund and \$40,000 in the Road and Bridge Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$639,739 of the Township's bank balance of \$889,739 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2008, was \$5.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property		
Residential	\$43,313,090	
Agricultural	5,554,760	
Commercial/Industrial/Mineral	5,571,220	
Public Utility	54,260	
Tangible Personal Property		
General Personal	1,018,773	
Public Utility	2,820,260	
Total Assessed Value	\$58,332,363	

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 6 – RISK MANAGEMENT (Continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$18,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2006	\$22,801
2007	\$20,151
2008	\$20,176

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 7 – DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three pension plans as follows:

1. The Traditional Plan is a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan is a defined contribution plan in which the members invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan is a cost sharing, multiple-employer defined benefit plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377 or www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. The Village paid two percent of the employees obligated share of their contribution. The 2008 employer contribution rate for state employers was 13.85% of covered payroll.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were \$13,985, \$13,117, and \$12, 988 respectively. The full amount has been contributed for 2008, 2007, and 2006.

NOTE 8 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent of covered payroll was the portion that was used to fund health care.

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 5.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 358,804. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$24,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2007, which will allow additional funds to be allocated to the health care plan.

NOTE 9 – DEBT

The Township's long-term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance 1/1/08	Additions	Reduction	Balance 12/31/08	Due Within One Year
Commercial Loan - Fire Tanker	4.85%	\$66,971		(\$18,081)	\$48,890	\$18,959
Purchase Agreement - Property	3.00%		\$66,625	(\$22,261)	\$44,364	\$22,182

The commercial loan and purchase agreement are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The Township entered into a purchase agreement to purchase property located in the Township. The planned use of the property is to build a new Township Hall. The terms of the agreement are to make three payments over three years at a rate of three percent interest. The \$66,625 in the schedule above represents the purchase price of the property and does not represent debt proceeds to purchase the property. As a result the accompanying financial statements do not show debt proceeds for this amount.

The following is a summary of the Township's future annual debt service requirements:

**FREEDOM TOWNSHIP
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

NOTE 9 – DEBT (Continued)

Year	Commercial Loan - Fire Tanker		Purchase Agreement - Property	
	Principal	Interest	Principal	Interest
2009	18,959	2,148	22,182	1,331
2010	19,903	1,148	22,182	665
2011	10,028	338		
Total	<u>\$48,890</u>	<u>\$3,634</u>	<u>\$44,364</u>	<u>\$1,996</u>

The Township did not exceed the 5.5 percent of the tax valuation of the Township for unvoted obligations debt for 2008 per Ohio Revised Code.

NOTE 10 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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 11 – JOINTLY GOVERNED ORGANIZATIONS

Pemberville Union Cemetery Board: This board, consisting of members from the Township Board of Trustees and the Village of Pemberville Town Council, oversee the daily operations of the Pemberville Union Cemetery located within the Township. This board is self funded, however both the Township and the Village of Pemberville may contribute 50/50 to the board when funds are no longer available.



Mary Taylor, CPA

Auditor of State

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

Freedom Township
Wood County
198 Water Street, P.O. Box 796
Pemberville, OH 43450-0796

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Township, Wood County, Ohio (the Township), as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 9, 2009, in which we disclosed the Township prepares its financial statements on the cash basis of accounting. We also noted 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. 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 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated June 9, 2009.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 9, 2009



Mary Taylor, CPA
Auditor of State

FREEDOM TOWNSHIP

WOOD 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
JULY 14, 2009**