

**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

*FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2010*

**SUSAN PLAVCAN, FISCAL OFFICER**





# Dave Yost • Auditor of State

Board of Trustees  
Auburn Township  
11010 East Washington Street  
Chagrin Falls, Ohio 44023

We have reviewed the *Independent Accountants' Report* of Auburn Township, Geauga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Auburn Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 6, 2012

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**AUBURN TOWNSHIP  
GEauga COUNTY, OHIO**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Accountants' Report

Auburn Township  
Geauga County  
11010 Washington Street  
Chagrin Falls, Ohio 44023

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 Auburn Township, Geauga County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise Auburn Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Auburn 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, 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 Auburn Township, Geauga County, Ohio, as of December 31, 2010, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General Fund, Road and Bridge Fund, and Special Fire Levy Fund, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2010 Auburn Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2012, on our consideration of Auburn 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.

Independent Accountants' Report  
Auburn Township  
Page Two

We conducted our audit to opine on Auburn Township's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

*Julian & Grube, Inc.*  
Julian & Grube, Inc.  
April 13, 2012

**Auburn Township**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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This discussion and analysis of the Auburn Township, Geauga County, Ohio, (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2010, 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.

**Highlights**

Key highlights for 2010 are as follows:

- Net assets of governmental activities increased \$362,210 or 49 percent from the prior year with the bulk of the revenue coming from general receipts consisting of property taxes and grants and entitlements.
- Road projects for the year totaled approximately \$700,000 and include:
  - ❖ Resurfacing in The Meadows subdivision by Ronyak Paving at \$309,580;
  - ❖ Chip Seal of 5.022 miles of road to include sections of Stafford, Bartholomew, and Valley Roads by Hughes Contracting at \$175,940;
  - ❖ Auburn Township worked with Mantua Township in Portage County on an Ohio Public Works Commission Issue II road resurface of Crackel/Harner/Benning Road. The road work was done by Ronyak Paving. Auburn's share of the 2.07 mile road is .44 miles. Our share of the cost was \$33,800 which was reduced by \$15,272 (Auburn's share of the force account work) leaving a balance due of \$18,528.
  - ❖ Pavement repairs on Lucky Bell, Weathertop Lane, Lost Lakes Trail and Greenway Trail in the Lorien Woods subdivision cost the Township \$129,875. This was another Ohio Public Works Commission project we were fortunate to receive. Karvo Paving Company was the contractor.
  - ❖ The Township spent \$31,890 on Crack Seal projects using Asphalt Fabrics and Specialties, Inc.
  - ❖ Jennifer Lane, Lindsay Lane and White Oak Drive received asphalt maintenance seal (rejuvenating treatment) at a cost of \$11,625 by Pavement Technology, Inc.
- The Township purchased a 1981 Cruz-Air at \$7,800 for ditching work.
- Cemetery markers costing \$1,006 were purchased and installed in Section 7 of Shadyside Cemetery.
- A 3.5 mill replacement continuing Fire Levy passed in May 2010 (753 vs. 391 votes) for the purpose of expanding the fire station. With the passage of the new levy, the Township ceased collection on a 1.67 mill fire levy.
- Talks that began in 2009 culminated in an agreement with USDA, Rural Development, for a construction loan in the amount of \$2,549,000 to expand and modify the current station. Security for the loan will be a general obligation bond in the amount of \$2,549,000. The loan interest rate

**Auburn Township**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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is 4.125 percent, 30 years. Debt charges will be paid from proceeds of the levy. Collection of the loan will commence in 2011 with repayment starting in 2012. Larsen Architects and J. Dixon Construction Manager are selected.

- A loan from the Auburn Volunteer Fire Department for \$167,500 and an advance from the general fund for \$150,000 were used to set up the fire department addition capital projects fund. This \$317,500 will be used to pay for preliminary expenses like permits, soil testing, legal ads, and title work until the USDA loan is complete.
- The Township again contracted with the Auburn Volunteer Fire Department for fire and EMS at \$441,000 for the year.
- The Township made two truck payments to pay off the 2007 International Truck loan. This resulted in the Township saving \$957. The Township purchased a new 2009/2010 International Truck with payments beginning in 2011.
- The road department built the Don May Sand Volleyball Courts on Adam Hall property.

**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 Township-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.

**Auburn Township**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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.

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, the Township had the following type of activity:

*Governmental activities.* All of the Township's basic services are reported here, including roads, zoning and cemetery. Property taxes and intergovernmental grants and entitlements 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 in nature.

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 major governmental funds are the general fund, road and bridge and special fire levy special revenue funds, and the property acquisition improvement and fire department addition capital project funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Auburn Township**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2010 compared to 2009 on a cash basis:

	(Table 1)		
	Net Assets		
	Governmental Activities		
	2010	2009	Change
<b>Assets</b>			
Cash and Cash Equivalents	<u>\$1,095,860</u>	<u>\$733,650</u>	<u>\$362,210</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$284,480	\$0	\$284,480
Debt Service	4,139	52,013	(47,874)
Other Purposes	80,155	40,879	39,276
Unrestricted	<u>727,086</u>	<u>640,758</u>	<u>86,328</u>
Total Net Assets	<u>\$1,095,860</u>	<u>\$733,650</u>	<u>\$362,210</u>

As mentioned previously, net assets of governmental activities increased \$362,210 during 2010. The primary reasons contributing to the increases in cash balances are as follows:

- NOPEC grant money received in 2010 was \$9,550 as part of Powering Our Communities grant award for energy efficiency.
- The Township received \$80,930 an estate tax settlement.
- The Township received \$33,000 from the Ohio Department of Natural Resources in the form of a House Bill 562 Capital Improvement Legislative Grant for the Auburn Township Community Park through State Senator Grendell.

Table 2 reflects the changes in net assets on a cash basis in 2010 and 2009.

	(Table 2)		
	Changes in Net Assets		
	Governmental Activities		
	2010	2009	Change
<b>Receipts:</b>			
<i>Program Receipts:</i>			
Charges for Services	\$39,033	\$38,589	\$444
Operating Grants and Contributions	109,150	115,188	(6,038)
Capital Grants	<u>415,279</u>	<u>255,678</u>	<u>159,601</u>
Total Program Receipts	<u>\$563,462</u>	<u>\$409,455</u>	<u>\$154,007</u>

(continued)

**Auburn Township**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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(Table 2)  
**Changes in Net Assets (continued)**

	Governmental Activities		
	2010	2009	Change
<b>Receipts:</b>			
<i>General Receipts:</i>			
Property Taxes	\$1,822,225	\$1,782,493	\$39,732
Grants and Entitlements Not Restricted to Specific Programs	229,405	265,033	(35,628)
Interest	5,411	5,389	22
Loan for Fire Department Addition	167,500	0	167,500
Loan for Road Truck	126,536	0	126,536
Miscellaneous	32,498	31,811	687
Total General Receipts	<u>2,383,575</u>	<u>2,084,726</u>	<u>298,849</u>
Total Receipts	<u>2,947,037</u>	<u>2,494,181</u>	<u>452,856</u>
<b>Disbursements:</b>			
General Government	374,386	423,848	49,462
Public Safety	473,621	476,335	2,714
Public Works	1,234,802	1,291,117	56,315
Health	11,938	21,498	9,560
Conservation-Recreation	27,347	19,209	(8,138)
Capital Outlay	389,356	59,115	(330,241)
Debt Service	73,377	48,091	(25,286)
Total Disbursements	<u>2,584,827</u>	<u>2,339,213</u>	<u>(245,614)</u>
Increase in Net Assets	362,210	154,968	207,242
Net Assets, January 1	<u>733,650</u>	<u>578,682</u>	<u>154,968</u>
Net Assets, December 31	<u>\$1,095,860</u>	<u>\$733,650</u>	<u>\$362,210</u>

### **Governmental Activities**

If you look at the Statement of Activities on page 13, 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 public works and public safety, which account for 47.77 and 18.32 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 14.48 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.

**Auburn Township**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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(Table 3)

**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
General Government	\$374,386	\$357,508	\$423,848	\$402,329
Public Safety	473,621	412,702	476,335	412,546
Public Works	1,234,802	960,292	1,291,117	1,017,040
Health	11,938	7,703	21,498	15,518
Conservation-Recreation	27,347	9,427	19,209	(24,881)
Capital Outlay	389,356	200,356	59,115	59,115
Debt Service	73,377	73,377	48,091	48,091
<b>Total Expenses</b>	<b><u>\$2,584,827</u></b>	<b><u>\$2,021,365</u></b>	<b><u>\$2,339,213</u></b>	<b><u>\$1,929,758</u></b>

The dependence upon property and income tax receipts is apparent as over 78 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$2,653,001 and disbursements of \$2,584,827. The fund balance of the general fund increased as the result of the Township reducing general government and public works disbursements through cost cutting measures to ensure the stability of the Township. The road and bridge and the special fire levy special revenue funds both had increases to fund balance from increases to property taxes from a gradually improving economic climate.

General fund receipts were more than disbursements indicating that the general fund is in a surplus spending situation. It was the recommendation of the finance committee and the administration that a continued reduction in disbursements was preferable to requesting additional funds from the taxpayers to ensure the surplus spending. Some of these reductions have already been implemented for 2010 including cuts in park repairs and maintenance and reductions in office personnel.

**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 2010, the Township amended its general fund budget several times to reflect changing circumstances. Final budgeted receipts were greater than original budgeted receipts due to unexpected estate tax receipts. The difference between final budgeted receipts and actual receipts was due to the Township receiving less miscellaneous revenue than expected.

The Township certified disbursements but did not approve permanent appropriations for 2010. Therefore, the 2010 disbursements were in noncompliance with Ohio Revised Code Section 5705.41(D).

**Auburn Township**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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**Debt Administration**

At December 31, 2010, the Township's outstanding debt included \$167,500 in a short-term loan from the Volunteer Fire Department of Auburn for improvements to buildings and structures for the Fire Department, and \$186,512 in loans for trucks. For further information regarding the Township's debt, refer to Notes 11 and 12 to the basic financial statements.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely heavily on local taxes and have very little industry to support the tax base. It is the goal of the Administration to continue providing the services that the citizens of the Township have come to expect without having to ask for additional sources of funding. The Township will continue to monitor outgoing expenses in relation to the revenues to make sure there is a proper balance.

**Contacting the Township'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 Susan Plavcan, Fiscal Officer, Auburn Township Administration Building, 11010 East Washington, Auburn Township, Ohio 44023.

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## Basic Financial Statements

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**Auburn Township**  
*Geauga County*  
*Statement of Net Assets - Cash Basis*  
*December 31, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	
	<u>\$1,095,860</u>
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$284,480
Debt Service	4,139
Other Purposes	80,155
Unrestricted	<u>727,086</u>
<i>Total Net Assets</i>	<u>\$1,095,860</u>

See accompanying notes to the basic financial statements

**Auburn Township**  
*Geauga County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2010*

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	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities
<b>Governmental Activities</b>					
Current:					
General Government	\$374,386	\$16,878	\$0	\$0	(\$357,508)
Public Safety	473,621	0	60,919	0	(412,702)
Public Works	1,234,802	0	48,231	226,279	(960,292)
Health	11,938	4,235	0	0	(7,703)
Conservation-Recreation	27,347	17,920	0	0	(9,427)
Capital Outlay	389,356	0	0	189,000	(200,356)
Debt Service:					
Principal Retirement	67,634	0	0	0	(67,634)
Interest and Fiscal Charges	<u>5,743</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,743)</u>
Total	<u>\$2,584,827</u>	<u>\$39,033</u>	<u>\$109,150</u>	<u>\$415,279</u>	<u>(2,021,365)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					324,178
Debt Service					25,503
Road and Bridge					1,011,697
Special Levy Fire					460,847
Grants and Entitlements not Restricted to Specific Programs					
Interest					229,405
Loan for Fire Department Addition					5,411
Loan for Road Truck					167,500
Miscellaneous					126,536
					<u>32,498</u>
Total General Receipts					<u>2,383,575</u>
Change in Net Assets					362,210
Net Assets Beginning of Year					<u>733,650</u>
Net Assets End of Year					<u>\$1,095,860</u>

See accompanying notes to the basic financial statements

**Auburn Township**  
*Geauga County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2010*

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	General	Road and Bridge	Special Fire Levy
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$260,119</u>	<u>\$171,500</u>	<u>\$95,815</u>
<b>Fund Balances</b>			
Restricted	\$0	\$0	\$0
Committed	0	171,500	95,815
Assigned	0	0	0
Unassigned	<u>260,119</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances</i>	<u>\$260,119</u>	<u>\$171,500</u>	<u>\$95,815</u>

See accompanying notes to the basic financial statements

Property Acquisition Improvement	Fire Department Addition	Other Governmental Funds	Total Governmental Funds
\$199,652	\$256,630	\$112,144	\$1,095,860
\$0	\$256,630	\$112,144	\$368,774
0	0	0	267,315
199,652	0	0	199,652
0	0	0	260,119
<b>\$199,652</b>	<b>\$256,630</b>	<b>\$112,144</b>	<b>\$1,095,860</b>

**Auburn Township**  
*Geauga County*  
**Statement of Receipts, Disbursements and Changes In Fund Balances - Cash Basis**  
**Governmental Funds**  
*For the Year Ended December 31, 2010*

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	General	Road and Bridge	Special Fire Levy
<b>Receipts</b>			
Property Taxes	\$324,178	\$1,011,697	\$460,847
Licenses, Permits and Fees	16,878	0	0
Intergovernmental	229,405	333,692	60,919
Rentals	17,920	0	0
Interest	4,412	0	776
Miscellaneous	31,298	0	0
<i>Total Receipts</i>	<i>624,091</i>	<i>1,345,389</i>	<i>522,542</i>
<b>Disbursements</b>			
Current:			
General Government	352,852	0	21,534
Public Safety	0	0	473,621
Public Works	11,285	1,124,990	0
Health	8,103	0	0
Conservation-Recreation	27,347	0	0
Capital Outlay	0	323,336	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Disbursements</i>	<i>399,587</i>	<i>1,448,326</i>	<i>495,155</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>224,504</i>	<i>(102,937)</i>	<i>27,387</i>
<b>Other Financing Sources (Uses)</b>			
Loan for Fire Department Addition	0	0	0
Loan for Road Truck	0	126,536	0
Transfers In	0	164	0
Transfers Out	(58,576)	0	0
Advances In	0	0	0
Advances Out	(150,000)	0	0
<i>Total Other Financing Sources (Uses)</i>	<i>(208,576)</i>	<i>126,700</i>	<i>0</i>
<i>Net Change in Fund Balances</i>	<i>15,928</i>	<i>23,763</i>	<i>27,387</i>
<i>Fund Balances Beginning of Year</i>	<i>244,191</i>	<i>147,737</i>	<i>68,428</i>
<i>Fund Balances End of Year</i>	<i>\$260,119</i>	<i>\$171,500</i>	<i>\$95,815</i>

See accompanying notes to the basic financial statements

Property Acquisition Improvement	Fire Department Addition	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$25,503	\$1,822,225
0	0	4,235	21,113
0	0	129,818	753,834
0	0	0	17,920
0	0	223	5,411
<u>0</u>	<u>0</u>	<u>1,200</u>	<u>32,498</u>
<u>0</u>	<u>0</u>	<u>160,979</u>	<u>2,653,001</u>
0	0	0	374,386
0	0	0	473,621
0	0	98,527	1,234,802
0	0	3,835	11,938
0	0	0	27,347
0	60,870	5,150	389,356
<u>0</u>	<u>0</u>	<u>67,634</u>	<u>67,634</u>
<u>0</u>	<u>0</u>	<u>5,743</u>	<u>5,743</u>
<u>0</u>	<u>60,870</u>	<u>180,889</u>	<u>2,584,827</u>
<u>0</u>	<u>(60,870)</u>	<u>(19,910)</u>	<u>68,174</u>
0	167,500	0	167,500
0	0	0	126,536
58,412	0	0	58,576
0	0	0	(58,576)
0	150,000	0	150,000
0	0	0	(150,000)
<u>58,412</u>	<u>317,500</u>	<u>0</u>	<u>294,036</u>
58,412	256,630	(19,910)	362,210
<u>141,240</u>	<u>0</u>	<u>132,054</u>	<u>733,650</u>
<u>\$199,652</u>	<u>\$256,630</u>	<u>\$112,144</u>	<u>\$1,095,860</u>

**Auburn Township**  
**Geauga County**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis  
 General Fund  
 For the Year Ended December 31, 2010*

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$313,002	\$313,002	\$324,178	\$11,176
Licenses, Permits and Fees	16,878	16,878	16,878	0
Intergovernmental	131,837	212,767	229,405	16,638
Rentals	17,920	17,920	17,920	0
Interest	4,412	4,412	4,412	0
Miscellaneous	115,927	128,499	31,298	(97,201)
<i>Total Receipts</i>	<i>599,976</i>	<i>693,478</i>	<i>624,091</i>	<i>(69,387)</i>
<b>Disbursements</b>				
Current:				
General Government	0	0	355,539	(355,539)
Public Works	0	0	11,285	(11,285)
Health	0	0	8,180	(8,180)
Conservation-Recreation	0	0	27,347	(27,347)
<i>Total Disbursements</i>	<i>0</i>	<i>0</i>	<i>402,351</i>	<i>(402,351)</i>
<i>Excess of Receipts Over Disbursements</i>	<i>599,976</i>	<i>693,478</i>	<i>221,740</i>	<i>(471,738)</i>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	0	(58,576)	(58,576)
Advances Out	0	0	(150,000)	(150,000)
<i>Total Other Financing Sources (Uses)</i>	<i>0</i>	<i>0</i>	<i>(208,576)</i>	<i>(208,576)</i>
<i>Net Change in Fund Balance</i>	<i>599,976</i>	<i>693,478</i>	<i>13,164</i>	<i>(680,314)</i>
<i>Fund Balance Beginning of Year</i>	<i>215,298</i>	<i>215,298</i>	<i>215,298</i>	<i>0</i>
Prior Year Encumbrances Appropriated	28,893	28,893	28,893	0
<i>Fund Balance End of Year</i>	<i>\$844,167</i>	<i>\$937,669</i>	<i>\$257,355</i>	<i>(\$680,314)</i>

See accompanying notes to the basic financial statements

**Auburn Township**  
**Geauga 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, 2010*

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$949,743	\$949,743	\$1,011,697	\$61,954
Intergovernmental	161,808	161,808	333,692	171,884
Miscellaneous	1,932	1,932	0	(1,932)
<i>Total Receipts</i>	<u>1,113,483</u>	<u>1,113,483</u>	<u>1,345,389</u>	<u>231,906</u>
<b>Disbursements</b>				
Current:				
Public Works	0	0	1,129,397	(1,129,397)
Capital Outlay	0	0	323,336	(323,336)
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>1,452,733</u>	<u>(1,452,733)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,113,483</u>	<u>1,113,483</u>	<u>(107,344)</u>	<u>(1,220,827)</u>
<b>Other Financing Sources</b>				
Proceeds of Truck Loan	0	0	126,536	126,536
Transfers In	164	164	164	0
<i>Total Other Financing Sources</i>	<u>164</u>	<u>164</u>	<u>126,700</u>	<u>126,536</u>
<i>Net Change in Fund Balance</i>	<u>1,113,647</u>	<u>1,113,647</u>	<u>19,356</u>	<u>(1,094,291)</u>
<i>Fund Balance Beginning of Year</i>	<u>122,275</u>	<u>122,275</u>	<u>122,275</u>	<u>0</u>
Prior Year Encumbrances Appropriated	25,462	25,462	25,462	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$1,261,384</u>	<u>\$1,261,384</u>	<u>\$167,093</u>	<u>(\$1,094,291)</u>

See accompanying notes to the basic financial statements

**Auburn Township**  
**Geauga County**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis*  
*Special Fire Levy Fund*  
*For the Year Ended December 31, 2010*

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	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$424,885	\$424,885	\$460,847	\$35,962
Intergovernmental	88,223	88,223	60,919	(27,304)
Interest	776	776	776	0
Miscellaneous	7,574	7,574	0	(7,574)
<i>Total Receipts</i>	<u>521,458</u>	<u>521,458</u>	<u>522,542</u>	<u>1,084</u>
<b>Disbursements</b>				
Current:				
General Government	0	0	21,534	(21,534)
Public Safety	0	0	473,621	(473,621)
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>495,155</u>	<u>(495,155)</u>
<i>Net Change in Fund Balance</i>	<u>521,458</u>	<u>521,458</u>	<u>27,387</u>	<u>(494,071)</u>
<i>Fund Balance Beginning of Year</i>	<u>67,611</u>	<u>67,611</u>	<u>67,611</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>817</u>	<u>817</u>	<u>817</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$589,886</u></u>	<u><u>\$589,886</u></u>	<u><u>\$95,815</u></u>	<u><u>(\$494,071)</u></u>

See accompanying notes to the basic financial statements

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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## **Note 1 – Reporting Entity**

Auburn Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1817 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.

### ***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 contracts with the Auburn Volunteer Fire Department for fire protection and EMS service and is funded by a Township levy. Police protection is provided by the Geauga County Sheriff's Department.

### ***Component Units***

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. The Township does not have any component units.

### ***Jointly Governed Organizations and Public Entity Risk Pools***

The Township participates in one jointly governed organization and one public entity risk pool. Notes 8 and 15 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool: Ohio Township Association Risk Management Authority (OTARMA), which is a risk sharing pool available to Ohio Townships for property and casualty coverage.

Jointly Governed Organizations: Northeast Ohio Public Energy Council (NOPEC), which is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas.

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

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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## **Note 2 – Summary of Significant Accounting Policies**

As discussed further in the Basis of Accounting section of this Note, 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements. Following are the more significant of the Township's accounting policies.

### ***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.

***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, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balances 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 are 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 fund 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.

### ***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.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**Governmental Funds** The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major governmental funds.

**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.

**Road and Bridge Fund** The road and bridge fund accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

**Special Fire Levy Fund** The special fire levy fund accounts for and reports property tax (inside millage) committed for fire and EMS services provided within the Township and to surrounding townships through a mutual aid agreement.

**Public Acquisition Improvement Fund** The public acquisition improvement fund accounts for and reports transfers assigned for various capital projects throughout the Township.

**Fire Department Addition Fund** The fire department addition fund accounts for and reports USDA loan money restricted for the purpose of improving the Township.

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

#### ***Basis of Accounting***

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

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.

#### ***Budgetary Process***

All funds, except agency 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 ordinance, 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 ordinance 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.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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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 certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance 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 ordinance 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.

***Cash and Investments***

Township records identify the purchase of specific investments by specific funds.

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".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2010, the Township invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

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 2010 was \$4,412 which includes \$3,128 assigned from other Township funds.

***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.

***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.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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***Interfund Receivables/Payables***

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

***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.

***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 9 and 10, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

***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.

***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 resources restricted for road maintenance, improvement and materials (motor vehicle license tax and gas tax funds). 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.

***Internal Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Internal events that are allocation of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**Restricted** Fund balance is reported as 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** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not 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 contained 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.

#### ***Interfund Transactions***

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

#### **Note 3 – Change in Accounting Principle**

For 2010, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in any change to the Township's financial statements.

#### **Note 4 – 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, the road and bridge fund and the special fire levy fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$2,764 for the general fund, \$4,407 for the road and bridge fund and \$0 for the special fire levy fund.

#### **Note 5 – 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:

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

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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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 two 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. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

#### ***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, \$192,325 of the Township's bank balance of \$827,602 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.

#### ***Investments***

As of December 31, 2010, the Township had an investment in STAR Ohio for \$298,059 with an average maturity of 58 days.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**Interest Rate Risk** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short term investments.

**Credit Risk** STAR Ohio carries a rating of AAA by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

#### **Note 6 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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, 2010, was \$11.17 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2010 property tax receipts were based are as follows:

**Auburn Township**  
*Geauga County, Ohio*  
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*For the Year Ended December 31, 2010*

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Real Property:	
Residential/Agricultural	\$239,565,360
Commercial/Industrial/Mineral	15,665,670
Public Utility	<u>3,425,510</u>
Total	<u><u>\$258,656,540</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

#### **Note 7 – Interfund Receivables/Payables**

Interfund balances at December 31, 2010, consisted of \$150,000 owed by the fire department addition capital projects fund to the general fund. The balance due to the general fund represents loans made to provide working capital for projects.

#### **Note 8 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

##### ***Public Entity Risk Pool Membership***

***Ohio Township Association Risk Management Authority*** The Township belongs to the Ohio Township Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management and reinsurance services for OTARMA. 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 and Property Insurances*** APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

***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, 2010 and 2009:

**Auburn Township**  
*Geauga County, Ohio*  
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	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, liabilities above included approximately \$9.9 million and \$12.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$9.5 million and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$27,760. 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.

**Contributions to OTARMA**

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2007	\$11,989
2008	\$12,285
2009	\$11,516
2010	\$13,880

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage in any of the last three years.

### **Note 9 – Defined Benefit Pension Plan**

#### ***Ohio Public Employees Retirement System***

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined

**Auburn Township**  
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contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, 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 Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2010, members in the state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The Township's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Township's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009 and 2008 were \$35,109, \$28,342 and \$32,089, respectively; 86.34 percent has been contributed for 2010 and 100 percent for 2009 and 2008. There were no contributions made to the Member-Directed Plan for 2010.

## **Note 10 - Postemployment Benefits**

### ***Ohio Public Employees Retirement System***

**Plan Description** – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension

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plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009 and 2008 were \$23,132, \$20,493, and \$32,089, respectively; 86.34 percent has been contributed for 2010 and 100 percent for 2009 and 2008.

**Auburn Township**  
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The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

### **Note 11 - Loan Payable**

A summary of the loan transactions for the year ended December 31, 2010, follows:

<b>Governmental Activities</b>	<u>Outstanding</u> <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>12/31/10</u>
	<u>\$0</u>	<u>\$167,500</u>	<u>\$0</u>	<u>\$167,500</u>
2010 Variable Interest Rate Fire Department Addition Loan				

During 2010, the Township applied for and was awarded proceeds of a USDA bond in the amount of \$2,549,000 to be received in 2011. Prior to receiving the bond proceeds, the addition to the fire department was started. The Township took a loan out from the fire department of \$167,500 to pay for construction costs until the bond proceeds could be received. The loan is backed by the full faith and credit of the Township and matures within one year.

### **Note 12 – Debt**

The Township's long-term debt activity for the year ended December 31, 2010, was as follows:

	<u>Amount</u> <u>Outstanding</u> <u>12/31/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount</u> <u>Outstanding</u> <u>12/31/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
	<u>\$0</u>	<u>\$126,536</u>	<u>\$0</u>	<u>\$126,536</u>	<u>\$0</u>
Governmental Activities:					
2010 Truck Loan 4.54%	\$0	\$126,536	\$0	\$126,536	\$0
2009 Truck Loan 4.57%	78,246	0	18,270	59,976	19,104
2007 Truck Loan 4.19%	49,364	0	49,364	0	0
Total	<u>\$127,610</u>	<u>\$126,536</u>	<u>\$67,634</u>	<u>\$186,512</u>	<u>\$19,104</u>

The truck loans are paid from the debt service fund.

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

**Auburn Township**  
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Year	2009 Truck Loan		2010 Truck Loan	
	Principal	Interest	Principal	Interest
2011	\$19,104	\$2,742	\$0	\$0
2012	19,978	1,868	47,273	10,438
2013	20,894	952	25,257	3,598
2014	0	0	26,404	2,451
2015	0	0	27,602	1,253
Total	<b>\$59,976</b>	<b>\$5,562</b>	<b>\$126,536</b>	<b>\$17,740</b>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2010, were an overall debt margin of \$27,158,937 and an unvoted debt margin of \$14,226,110.

### Note 13 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Road and Bridge	Special Fire Levy	Property Acquisition Improvement
<b>Restricted for</b>				
Road and Bridge	\$0	\$0	\$0	\$0
Cemetery	0	0	0	0
Capital Improvements	0	0	0	0
Debt Service	0	0	0	0
<i>Total Restricted</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Committed to</b>				
Road and Bridge	0	171,500	0	0
Fire Operations	0	0	95,815	0
<i>Total Committed</i>	<b>0</b>	<b>171,500</b>	<b>95,815</b>	<b>0</b>
<b>Assigned to</b>				
Capital Improvements	0	0	0	199,652
<b>Unassigned</b>	<b>260,119</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Total Fund Balances</i>	<b>\$260,119</b>	<b>\$171,500</b>	<b>\$95,815</b>	<b>\$199,652</b>

**Auburn Township**  
**Geauga County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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Fund Balances	Fire Department Addition	Other Governmental Funds	Total
<b>Restricted for</b>			
Road and Bridge	\$0	\$72,393	\$72,393
Cemetery	0	7,762	7,762
Capital Improvements	256,630	27,850	284,480
Debt Service	0	4,139	4,139
<i>Total Restricted</i>	<u>256,630</u>	<u>112,144</u>	<u>368,774</u>
<b>Committed to</b>			
Road and Bridge	0	0	171,500
Fire Operations	0	0	95,815
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>267,315</u>
<b>Assigned to</b>			
Capital Improvements	0	0	199,652
<b>Unassigned</b>			
<i>Total Fund Balances</i>	<u>\$256,630</u>	<u>\$112,144</u>	<u>\$1,095,860</u>

#### Note 14 – Interfund Transfers

During 2010, the general fund transferred \$164 and \$58,412, to the road and bridge special revenue fund and the property acquisition improvement capital projects fund, respectively, to provide additional resources and to fund construction projects. Transfers represent the allocation of unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### Note 15 – Jointly Governed Organizations

**Northeast Ohio Public Energy Council** The Township is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in process by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
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NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at their website, [www.nopecinfo.org](http://www.nopecinfo.org).

## **Note 16 – Contingent Liabilities**

### *Grants*

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 allow. However, based on prior experience, management believes any refunds would be immaterial.

### *Pending Litigation*

Auburn Township is a party to legal proceedings. The Township management is of the opinion that the financial condition of the Township.

## **Note 17 – Compliance**

The Township had disbursements exceeding appropriations, contrary to Ohio Revised Code Sections 5705.41(B) and 5705.40.

The Township could not provide evidence of any Trustee approved permanent appropriations in noncompliance with Ohio Revised Code Section 5705.38.

The Township certified disbursements, however no permanent appropriations existed and thus disbursements were in noncompliance with Ohio Revised Code Section 5705.41(D).

The Township's system appropriations did not agree to the Township's minutes in noncompliance with Ohio Administrative Code 117-2-02(C)(1).

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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## **Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Auburn Township  
Geauga County  
11010 Washington Street  
Chagrin Falls, Ohio 44023

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 Auburn Township, Geauga County, as of and for the year ended December 31, 2010, which collectively comprise Auburn Township's basic financial statements and have issued our report thereon dated April 13, 2012, wherein we noted Auburn Township prepares its financial statements on the cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, as described in Note 3, during 2010 Auburn Township adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 Auburn Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of Auburn Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of Auburn Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Auburn Township's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-AT-001 described in the accompanying schedule of findings and responses to be a material weakness.

Board of Trustees  
Auburn Township

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. We consider finding 2010-AT-002 described in the accompanying schedule of findings responses to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether Auburn 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 five instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2010-AT-003 through 2010-AT-007.

We also noted a certain matter not requiring inclusion in this report that we reported to Auburn Township's management in a separate letter dated April 13, 2012.

Auburn Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Auburn Township's responses and, accordingly, we express no opinion on them.

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



Julian & Grube, Inc.  
April 13, 2012

**AUBURN TOWNSHIP  
GEauga COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-AT-001

**Material Weakness - Budgetary Monitoring Controls**

Entities require strong controls over the budgetary Ohio Revised Code compliance requirements. These internal controls should provide monitoring over compliance with applicable Ohio Revised Code Sections.

The Township lacks monitoring controls over completing the necessary paperwork annually to be in compliance with the applicable Ohio Revised Code sections.

Lack of such internal controls facilitates the Township's noncompliance with certain rules and regulations and could facilitate over spending of available monies.

We recommend the Township consider implementing a 'due date' system that denotes significant budgetary filing requirements and their respective due dates. We further recommend the Township Trustees designate a trustee member to oversee the implementation and compliance with this system. This will help ensure all required documents are properly approved and submitted as required in a timely basis.

*Client Response:* The Township Trustees are aware of the requirement and will improve their monitoring of budgetary requirements.

Finding Number	2010-AT-002
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**Significant Deficiency - Financial Statement Presentation**

A critical part of financial reporting is to maintain internal controls to help ensure the proper reporting of financial statement amounts.

We identified misstatements in the financial statements for the year under audit that were not initially identified by the Township's internal control.

The Township had the following audit adjustments necessary to properly record activity in 2010:

Road & Bridge Fund:

- Increase intergovernmental receipts and increase capital outlay disbursements in the amount of \$189,000 to properly reflect an on behalf payment made by the Ohio Public Works Commission.

Aggregate Remaining Fund Information:

- Increase restricted fund balance and decrease assigned fund balance in the Cathan Community Park Fund in the amount of \$27,850 to properly reflect the restricted nature of the grant.

The audited financial statements reflect these adjustments.

**AUBURN TOWNSHIP  
GEauga COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2010-AT-002 - (Continued)

Proper posting of Township receipts, disbursements, and fund balances is a crucial part of the Township's financial statements as potential users may rely on the statements to make decisions that could have an impact on the Township. In addition, improper posting could mislead the Board of Trustees and Township citizens during the year and additionally may misrepresent individual fund balances and possibly misrepresent budget and planning reports.

We recommend that the Township implement additional internal controls to help ensure receipts and disbursements are properly recorded and reflected in the Township's records. We further recommend the Township implement additional internal controls over financial reporting to help ensure accurate financial reports throughout the year and at year end. We also recommend the Township consult local government services and UAN for proper posting of transactions.

*Client Response:* The Fiscal Officer will attempt to properly post all on-behalf transactions in the future. The Fiscal Officer will consult the Township Handbook, Local Government Services, and/or its auditors when unusual/or infrequent transactions occur.

Finding Number	2010-AT-003
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by resolution and comply with the same provisions of the law as used in making the original appropriations.

The Township did not timely modify its appropriations throughout the year or by year end.

By not timely and properly modifying the Township's appropriations, the Township is not adequately monitoring its disbursements versus appropriations. This may result in appropriating monies in excess of estimated resources, and having disbursements exceed appropriations, and possibly, fund deficits.

We recommend that the Township comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring its budgetary process on a regular basis and approving amendments as necessary. We recommend that Township adopt accounting policies for amending appropriations, consider reviewing estimated resources and appropriations and disbursements versus appropriations on a monthly basis, and certify amendments to the Township's Board of Trustees as necessary. We recommend the Township utilize its accounting software or a spreadsheet to help monitor the budget.

*Client Response:* The Township will monitor the budget on a continual basis and make modifications as necessary to ensure disbursements do not exceed appropriations.

**AUBURN TOWNSHIP  
GEauga COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2010-AT-004

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The Township had disbursements exceeding appropriations in all funds due to not passing permanent or subsequent appropriation measures.

With disbursements exceeding appropriations, the Township is unlawfully expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the Township comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring disbursements so they do not exceed lawful appropriations and amending the budget as needed. This may be achieved by monitoring the budget more closely on a continual basis.

*Client Response:* The Township will monitor the budget on a continual basis and make modifications as necessary to ensure disbursements do not exceed appropriations.

Finding Number	2010-AT-005

Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until April 1 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances.

The Township did approve temporary appropriations, but could not provide evidence of any Trustee approved permanent appropriations.

While the Township did not spend more monies than actually available, the lack of evidence of appropriations may hinder its ability to effectively budget and monitor disbursements related to the budget.

We recommend that the Trustees adopt procedures for approving the appropriation measures and include these procedures in an accounting policies and procedures manual. We recommend that the Fiscal Officer develop a tickler file including all significant due dates of the budgeting process. The temporary or permanent appropriation measures should be passed prior to incurring disbursements.

*Client Response:* The Township Trustees and Fiscal Officer will ensure appropriations are properly identified in the minutes with the use of a calendar reminder system.

**AUBURN TOWNSHIP  
GEauga COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2010-AT-006

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

While the Township certified disbursements, no permanent appropriations were approved to draw purchase orders.

Without proper purchase orders, the Township may expend more funds than available in the Treasury, in the process of collection or the funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the disbursement of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Township should consider using "Then" and "Now" certificates where applicable.

*Client Response:* The Township Fiscal Officer will pass appropriations in a timely manner in the future.

Finding Number	2010-AT-007
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Ohio Administrative Code 117-2-02(C)(1) states that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system.

The Township's temporary appropriations approved in the minutes did agree to the UAN system appropriations. However, the permanent and certain supplemental appropriations were included in the UAN system; however, were not evidenced by Trustee minutes.

Without accurate appropriations in the accounting system, the Township could spend more than appropriated or incur fund deficits.

We recommend that once the Trustees approve appropriation modifications evidenced in Trustee minutes, the Fiscal Officer incorporate them into the UAN system appropriations. No appropriations should be included in the accounting system that have not been approved by the Trustees. This will aid the Township Trustees in their review of disbursements versus appropriations and help ensure appropriations are in place prior to disbursements.

*Client Response:* The Fiscal Officer understands the need for appropriations to be evidenced in the Trustee minutes and approved prior to incorporating them in the accounting system.



# Dave Yost • Auditor of State

AUBURN TOWNSHIP

GEAUGA 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
JULY 19, 2012