

**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

***FINANCIAL STATEMENTS***

FOR THE YEAR ENDED  
DECEMBER 31, 2013

**FRED MAY, FISCAL OFFICER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Auburn Township, Geauga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2013 through December 31, 2013. 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 28, 2014

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**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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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 Auditor's Report

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

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn Township, Geauga County, Ohio, as of and for the year ended December 31, 2013, and the related notes to the basic financial statements, which collectively comprise the Auburn Township's financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Auburn Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Auburn Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

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 the Auburn Township, Geauga County, Ohio, as of December 31, 2013, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and the Road and Bridge and Special Fire Levy major special revenue funds, thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2013, Auburn Township has elected to change its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 on our consideration of the 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Auburn Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 27, 2014

**Auburn Township**  
*Geauga County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,882,763</u>
<i>Total Assets</i>	<u><u>\$1,882,763</u></u>
<b>Net Position</b>	
Restricted for:	
Other Purposes	906,135
Unrestricted	<u>976,628</u>
<i>Total Net Position</i>	<u><u>\$1,882,763</u></u>

See accompanying notes to the basic financial statements

**Auburn Township**  
*Geauga County, Ohio*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2013*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
General Government	\$ 437,170	\$ 20,995	\$ -	\$ (416,175)
Public Safety	674,621	-	111,406	(563,215)
Public Works	1,198,753	-	265,239	(933,514)
Health	9,022	5,825	-	(3,197)
Conservation-Recreation	74,463	17,765	100	(56,598)
Capital Outlay	86,130	-	-	(86,130)
Debt Service:				
Principal Retirement	96,151	-	-	(96,151)
Interest & Fiscal Charges	106,717	-	-	(106,717)
<b>Total Governmental Activities</b>	<b>\$ 2,683,027</b>	<b>\$ 44,585</b>	<b>\$ 376,745</b>	<b>\$ (2,261,697)</b>
General Receipts:				
Property Taxes:				
				306,973
				991,907
				767,431
				136,098
				155,000
				3,754
				61,728
				<u>2,422,891</u>
				Change in Net Position 161,194
				Net Position Beginning of Year <u>1,721,569</u>
				Net Position End of Year <u>\$ 1,882,763</u>

See accompanying notes to the basic financial statements

**Auburn Township**  
*Geauga County, Ohio*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2013*

	General	Road and Bridge	Special Fire Levy	Miscellaneous Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 538,058	\$ 175,940	\$ 632,728	\$ 438,570	\$ 97,467	\$ 1,882,763
<i>Total Assets</i>	<u>\$ 538,058</u>	<u>\$ 175,940</u>	<u>\$ 632,728</u>	<u>\$ 438,570</u>	<u>\$ 97,467</u>	<u>\$ 1,882,763</u>
<b>Fund Balances</b>						
Restricted	-	175,940	632,728	-	97,467	906,135
Committed	-	-	-	438,570	-	438,570
Assigned	19,103	-	-	-	-	19,103
Unassigned (Deficit)	518,955	-	-	-	-	518,955
<i>Total Fund Balances</i>	<u>\$ 538,058</u>	<u>\$ 175,940</u>	<u>\$ 632,728</u>	<u>\$ 438,570</u>	<u>\$ 97,467</u>	<u>\$ 1,882,763</u>

See accompanying notes to the basic financial statements

**Auburn Township**  
*Geauga County, Ohio*  
*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Road & Bridge	Special Fire Levy	Miscellaneous Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$ 306,973	\$ 991,907	\$ 767,431	\$ -	\$ -	\$ 2,066,311
Licenses, Permits and Fees	46,220	-	-	-	3,120	49,340
Intergovernmental	136,099	144,046	111,407	-	120,459	512,011
Earnings on Investments	3,754	-	-	-	734	4,488
Miscellaneous	44,268	-	-	10,000	2,805	57,073
<i>Total Receipts</i>	<u>537,314</u>	<u>1,135,953</u>	<u>878,838</u>	<u>10,000</u>	<u>127,118</u>	<u>2,689,223</u>
<b>Disbursements</b>						
Current:						
General Government	387,092	-	50,080	-	-	437,172
Public Safety	-	-	674,620	-	-	674,620
Public Works	9,608	1,061,218	-	-	127,926	1,198,752
Health	3,916	-	-	-	5,107	9,023
Conservation-Recreation	18,977	-	-	55,487	-	74,464
Capital Outlay	70,190	-	-	15,677	263	86,130
Debt Service:						
Principal Retirement	-	42,528	50,000	-	3,623	96,151
Interest & Fiscal Charges	-	4,034	102,167	-	516	106,717
<i>Total Disbursements</i>	<u>489,783</u>	<u>1,107,780</u>	<u>876,867</u>	<u>71,164</u>	<u>137,435</u>	<u>2,683,029</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>47,531</u>	<u>28,173</u>	<u>1,971</u>	<u>(61,164)</u>	<u>(10,317)</u>	<u>6,194</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Assets	-	-	-	155,000	-	155,000
Transfers In	-	218	-	51,351	-	51,569
Transfers Out	(51,569)	-	-	-	-	(51,569)
<i>Total Other Financing Sources (Uses)</i>	<u>(51,569)</u>	<u>218</u>	<u>-</u>	<u>206,351</u>	<u>-</u>	<u>155,000</u>
<i>Net Change in Fund Balances</i>	<u>(4,038)</u>	<u>28,391</u>	<u>1,971</u>	<u>145,187</u>	<u>(10,317)</u>	<u>161,194</u>
<i>Fund Balances Beginning of Year - Restated</i>	<u>542,096</u>	<u>147,549</u>	<u>630,757</u>	<u>293,383</u>	<u>107,784</u>	<u>1,721,569</u>
<i>Fund Balances End of Year</i>	<u>\$ 538,058</u>	<u>\$ 175,940</u>	<u>\$ 632,728</u>	<u>\$ 438,570</u>	<u>\$ 97,467</u>	<u>\$ 1,882,763</u>

See accompanying notes to the basic financial statement.

**Auburn Township**  
*Geauga County, Ohio*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 306,523	\$ 307,110	\$ 306,973	\$ (137)
Licenses, Permits and Fees	18,500	43,500	46,220	2,720
Intergovernmental	91,521	91,599	136,099	44,500
Earnings on Investments	2,300	2,300	3,754	1,454
Miscellaneous	55,000	30,000	44,268	14,268
<i>Total Receipts</i>	473,844	474,509	537,314	62,805
<b>Disbursements</b>				
Current:				
General Government	500,994	488,178	405,281	82,897
Public Works	19,240	19,240	9,752	9,488
Health	6,725	6,725	3,970	2,755
Conservation-Recreation	34,400	34,182	19,694	14,488
Capital Outlay	165,804	127,004	70,189	56,815
<i>Total Disbursements</i>	727,163	675,329	508,886	166,443
<i>Excess of Receipts Over (Under) Disbursements</i>	(253,319)	(200,820)	28,428	229,248
<b>Other Financing Sources (Uses)</b>				
Transfers Out	-	(51,833)	(51,569)	264
<i>Total Other Financing Sources (Uses)</i>	-	(51,833)	(51,569)	264
<i>Net Change in Fund Balance</i>	(253,319)	(252,653)	(23,141)	229,512
<i>Unencumbered Fund Balance Beginning of Year</i>	542,096	542,096	542,096	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Unencumbered Fund Balance End of Year</i>	\$ 288,777	\$ 289,443	\$ 518,955	\$ 229,512

See accompanying notes to the basic financial statements

**Auburn Township**  
*Geauga County, Ohio*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Road and Bridge Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 945,806	\$ 992,368	\$ 991,907	\$ (461)
Intergovernmental	132,766	132,766	144,046	11,280
<i>Total Receipts</i>	<u>1,078,572</u>	<u>1,125,134</u>	<u>1,135,953</u>	<u>10,819</u>
<b>Disbursements</b>				
Current:				
Public Works	1,175,301	1,175,301	1,070,461	104,840
Debt Service:				
Principal Retirement	45,631	45,631	42,528	3,103
Interest and Fiscal Charges	5,071	5,071	4,034	1,037
<i>Total Disbursements</i>	<u>1,226,003</u>	<u>1,226,003</u>	<u>1,117,023</u>	<u>108,980</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(147,431)</u>	<u>(100,869)</u>	<u>18,930</u>	<u>119,799</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	218	218	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>218</u>	<u>218</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(147,431)	(100,651)	19,148	119,799
<i>Unencumbered Fund Balance Beginning of Year</i>	147,549	147,549	147,549	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 118</u>	<u>\$ 46,898</u>	<u>\$ 166,697</u>	<u>\$ 119,799</u>

See accompanying notes to the basic financial statements

**Auburn Township**  
*Geauga County, Ohio*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Special Fire Levy*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 766,307	\$ 767,776	\$ 767,431	\$ (345)
Intergovernmental	102,522	102,718	111,407	8,689
<i>Total Receipts</i>	868,829	870,494	878,838	8,344
<b>Disbursements</b>				
Current:				
General Government	75,000	85,173	55,105	30,068
Public Safety	713,464	703,290	674,620	28,670
Debt Service:				
Principal Retirement	50,000	50,000	50,000	-
Interest and Fiscal Charges	150,000	150,000	102,166	47,834
<i>Total Disbursements</i>	988,464	988,463	881,891	106,572
<i>Net Change in Fund Balance</i>	(119,635)	(117,969)	(3,053)	114,916
<i>Unencumbered Fund Balance Beginning of Year</i>	630,757	630,757	630,757	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Unencumbered Fund Balance End of Year</i>	\$ 511,122	\$ 512,788	\$ 627,704	\$ 114,916

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, 2013*

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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. Police protection is provided by the Geauga County Sheriff at no cost to the Township.

***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.

***Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools***

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

The Township participates in one jointly governed organization.

The Auburn Bainbridge Joint Recreation Board, DBA Kenston Community Education (KCE) represents Auburn Township, Bainbridge Township and the Kenston Local School District. It provides recreational and enrichment programming for the benefit of citizens of the participating townships. Auburn Township appoints three representatives to the organization's nine member board and provides annual funding to the board from the Township's general fund.

In Fiscal Year 2013, the Township contributed \$5,000 to KCE in the form of one lump sum payment.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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Separately-audited statements for KCE can be obtained from Jennifer Holzheimer, KCE Executive Director at 17425 Snyder Road, Chagrin Falls, Ohio 44023.

The Township participates in one Public Entity Risk Pool.

The Ohio Township Risk Management Authority (OTARMA) is a risk-sharing pool available to Ohio Townships. OTARMA provides property, casualty, and liability coverage. Note 9 to the basic financial statements provides additional information for this entity.

## **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. 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 position 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 position 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. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

The statement of net position presents the cash and investment 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 and enterprise fund financial statements is on major

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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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. The funds of the Township are all classified as governmental.

***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*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

***Miscellaneous Capital Projects Fund*** This fund accounts for and reports resources allocated for the acquisition and improvement of Township real property.

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.

***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 resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the department level for all funds as required by ORC Section 5705.38(C).

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 resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation 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 2013, 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, 2013.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts totaled \$4,488 in in Fiscal Year 2013.

***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, 2013*

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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 10 and 11, 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

***Net Position***

Net position is 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 position restricted for other purposes include resources restricted for: road and bridge improvements; fire safety and prevention; and cemetery operations. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

All amounts received from Motor Vehicle License Registration, Gasoline Tax and the Township's three Road and Bridge Levies are restricted for road and bridge improvements.

All amounts received from the Township's single Special Fire Levy are restricted for fire safety and prevention.

Annually and from time to time, the Township allocates certain amounts for specific uses including cemetery operations, property acquisition and improvement and for the improvement and maintenance of the Auburn Community Park.

**Auburn Township**  
*Geauga County, Ohio*  
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***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:

***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. It also includes the long-term amount of interfund loans.

***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***

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

**Auburn Township**  
*Geauga County, Ohio*  
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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 and after nonoperating receipts/disbursements in proprietary 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 – Accountability and Compliance**

**i. Change in Basis of Accounting and Restatement of Net Position/Fund Equity**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year, the Township has implemented a financial presentation comparable to the requirements of Governmental Accounting Standards No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. The change in basis of accounting had the following effect on fund balances of major governmental funds and all other governmental funds as previously reported:

	General	Special Revenue	Debt Service	Capital Projects	Road & Bridge	Special Fire Levy	Miscellaneous Capital Projects	Other Governmental Funds	Total
Fund Balance at December 31, 2012	\$542,096	\$881,688	\$4,139	\$293,646	\$0	\$0	\$0	\$0	\$1,721,569
Change in Basis of Accounting	0	(881,688)	(4,139)	(293,646)	147,549	630,757	293,383	107,784	0
Adjusted Fund Balance at December 31, 2012	<u>\$542,096</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$147,549</u>	<u>\$630,757</u>	<u>\$293,383</u>	<u>\$107,784</u>	<u>\$1,721,569</u>

**ii. Change in Accounting Principle**

For 2013, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Township’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**iii. Compliance**

The Township was in noncompliance with Ohio Revised Code Section 5705.41(D).

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 5 – 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, Road and Bridge and Fire District Special revenues funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$19,103 for the General Fund, \$9,243 for the Road and Bridge Fund and \$5,024 for the Special Fire Levy Fund. There were no outstanding advances at year end.

**Note 6 – 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 Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Auburn Township**  
*Geauga County, Ohio*  
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*For the Year Ended December 31, 2013*

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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***

At December 31, 2013, the carrying amount of all Village deposits was \$1,882,763. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2013, all of the Village's bank balance of \$1,884,829 was covered by the FDIC.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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.

**Auburn Township**  
*Geauga County, Ohio*  
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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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2013, was \$9.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

Agricultural and Residential Real Property	\$233,952,330
Public Utility and Other Real Property	<u>19,350,610</u>
Total	<u><u>\$253,302,940</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 8 – Interfund Receivables/Payables**

Interfund receivables and payables represent monies owed from one fund to another generally as a result of amounts advanced from an unrestricted fund to a restricted fund out of operational necessity. One typical example would be an advance/loan from the general fund to the road and bridge fund. There were no outstanding interfund balances on December 31, 2013.

**Note 9 – 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. The Township pays the Bureau of Worker's Compensation (BWC) a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims. In 2013 the Township paid an annual premium of \$16,722.45 compared to \$25,215.73 the previous year. The decrease was due in large part to changes in the way fire protection personnel were classified and paid. The Township received a refund of \$14,120.76 from BWC. In 2013, one injury claim was submitted to the BWC.

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

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

**Auburn Township**  
*Geauga County, Ohio*  
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*For the Year Ended December 31, 2013*

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$14,000.

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

**Auburn Township**  
*Geauga County, Ohio*  
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<b><u>Contributions to OTARMA</u></b>	
<b><u>2013</u></b>	<b><u>2012</u></b>
\$25,072	\$25,111

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

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

**Note 10 – 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 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.

**Auburn Township**  
*Geauga County, Ohio*  
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*For the Year Ended December 31, 2013*

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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, 2013, 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 2013, member and employer contribution rates were consistent across all three plans.

The Township's 2013 contribution rate was 14.0 percent. The Township does not employ law enforcement and public safety personnel. 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 and Combined Plan was one percent (1%) for 2013. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to OPERS for the years ended December 31, 2013, 2012, and 2011 were \$44,311, \$38,472, and \$38,868, respectively; 100 percent has been contributed for 2013, 2012 and 2011.

**Note 11 - 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 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.

**Auburn Township**  
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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 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 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 1 percent for Traditional and Combined Plans in 2013.

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, 2013, 2012, and 2011 were \$3,409, \$15,389, and \$15,547, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**Note 12 - DEBT**

As of December 31, 2013, the Township had the following debt obligations.

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
USDA 2011 FIRE STATION IMPROVEMENT LOAN	4.13%	\$2,549,000	7/1/2040
PNC 2009 ROAD DEPT TRUCK LOAN	4.57%	95,102	10/1/2013
HUNTINGTON 2011 ROAD DEPT TRUCK LOAN	4.54%	126,533	8/1/2015

**Auburn Township**  
*Geauga County, Ohio*  
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A summary of the note transactions follows:

	Outstanding 12/31/2012	Additions	Deletions	Outstanding 12/31/2013
<b>Governmental Activities</b>				
USDA FIRE STATION IMPROVEMENT BOND	\$ 2,486,256	\$ -	\$ 50,000	\$2,436,256
PNC ROAD DEPT TRUCK LOAN	20,894	-	20,894	-
HUNTINGTON ROAD DEPT TRUCK LOAN	79,263	-	25,257	54,006

The USDA fire station loan is paid from the Special Fire Levy Fund.

The PNC Road Department Truck and Huntington Road Department Truck loans are paid from the Road and Bridge Fund and the general note retirement fund.

Amortization of the above debt is scheduled as follows:

Year Ending December 31,	2010 Truck Loan		USDA Loan	
	Principal	Interest	Principal	Interest
2014	\$ 26,404	\$ 2,451	\$ 52,000	\$ 100,496
2015	27,602	1,253	54,000	98,351
2016	-	-	56,000	96,386
2017	-	-	59,000	93,813
2018	-	-	61,000	91,379
2019 - 2023	-	-	346,000	417,160
2024 - 2028	-	-	424,000	339,788
2029 - 2033	-	-	520,000	244,377
2034 - 2038	-	-	635,000	127,998
2039 - 2040	-	-	229,256	13,024
Total	<u>\$ 54,006</u>	<u>\$ 3,704</u>	<u>\$ 2,436,256</u>	<u>\$ 1,622,772</u>

**Note 14 – Leases**

The Township leases a copy and print machine. The Township disbursed \$1,404 at a rate of \$117 per month to pay these lease costs for the year ended December 31, 2013. The Township is not obligated to lease this equipment beyond a one year period, but expects comparable lease expenses through the next five years. The lease payments are paid from the general government function disbursements.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Basic Financial Statements*  
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**Note 15 – 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 & Bridge	Special Fire Levy	Misc Capital Projects	Other Governmental Funds	Total
<b>Restricted for</b>						
Fund purposes	\$ -	\$ 175,940	\$ 632,728	\$ -	\$ 97,467	\$ 906,135
<i>Total Restricted</i>	<u>\$ -</u>	<u>\$ 175,940</u>	<u>\$ 632,728</u>	<u>\$ -</u>	<u>\$ 97,467</u>	<u>\$ 906,135</u>
<b>Committed</b>						
	\$ -	\$ -	\$ -	\$ 438,570	\$ -	\$ 438,570
<b>Assigned</b>						
Encumbrances	\$ 19,103	\$ -	\$ -	\$ -	\$ -	\$ 19,103
<b>Unassigned (Deficit)</b>	\$ 518,955	\$ -	\$ -	\$ -	\$ -	\$ 518,955
<i>Total Fund Balances</i>	<u>\$ 538,058</u>	<u>\$ 175,940</u>	<u>\$ 632,728</u>	<u>\$ 438,570</u>	<u>\$ 97,467</u>	<u>\$ 1,882,763</u>

**Note 16 – Interfund Transfers**

During 2013, the General Fund transferred \$218 to the Road and Bridge special revenue fund to provide additional resources and \$51,351 to the Miscellaneous Capital Projects fund. 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. A portion of the total transferred to the Miscellaneous Capital Projects Fund consisted of \$38,722 in estate taxes. This amount represents estate taxes received by the Township. The balance of the total amount transferred to the Miscellaneous Capital Projects Fund represents amounts received into the General Fund for cable television franchise fees.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**Note 17 – Construction and Contractual Commitments**

On December 16, 2013, the Township committed to an annual contract for fire protection services provided by the Auburn Volunteer Fire Department in the amount of \$696,000 for January 1, 2014 to December 31, 2014.

**Note 18 – Contingent Liabilities**

The Township is defendant in multiple lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

**Note 19 – Joint Ventures**

The Township does not participate in any joint ventures.

**Auburn Township**  
*Geauga County, Ohio*  
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*For the Year Ended December 31, 2013*

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**Note 20 – Related Party Transactions**

In fiscal year 2013, the Township did not engage in any related party transactions, which are transactions that an informed observer might reasonably believe reflects considerations other than economic self interest based upon the relationship that exists between the parties to the transactions. The term is often used in contrast to an arm's length transaction. The notes should disclose the terms of material related party transactions.

**Note 21 – Miscellaneous Receipts**

Miscellaneous receipts in the General and Miscellaneous Capital Projects funds consist primarily of Bureau of Workers' Compensation refunds and bid bonds, respectively.



**Julian & Grube, Inc.**  
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn Township, Geauga County, Ohio, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Auburn Township's basic financial statements and have issued our report thereon dated June 27, 2014, wherein we noted the Auburn Township uses a special purpose framework other than generally accepted accounting principles and as described in Note 3 to the basic financial statements, Auburn Township has elected to change its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of Auburn Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-AT-001 described in the accompanying schedule of findings and responses to be a material weakness.

Board of Trustees  
Auburn Township

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses at item 2013-AT-002.

***Auburn Township's Response to Findings***

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.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Auburn Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Auburn Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
June 27, 2014

**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2013-AT-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

The following audit adjustments were made to correct misstatements identified in the audit of the Township’s financial statements:

- i.* Increase road and bridge intergovernmental receipts in the amount of \$71,855 to properly record homestead and rollback receipts.
- ii.* Increase special fire levy intergovernmental receipts in the amount of \$55,596 to properly record homestead and rollback receipts.
- iii.* Decrease general fund property tax receipts in the amount of \$127,451 to properly record homestead and rollback receipts.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Township consult with their auditors, the Township Handbook, Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Township and has implemented policies and procedures to help with financial statement presentation.

Finding Number	2013-AT-002
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is 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.

The Township had 15% of disbursements tested with an invoice that was dated prior to the purchase order, thus causing those disbursements not to be certified in a timely manner.

Without proper certification the Township may expend more funds than available in the treasury or in the process of collection, or than funds appropriated. It may also result in unnecessary or undesirable 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. The Township should consider using “Then” and “Now” certificates where applicable.

**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2013**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2013-AT-002 - (Continued)

*Client Response:* The majority of the disbursements in question above related to the Township's Fire Station addition project, which was completed in 2013. In addition, the majority occurred prior to the completion of the prior year audit. The Township will monitor disbursements and use then and now certificates where applicable in the future.

**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b><u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u></b>
2012-AT-001	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the disbursements of monies 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. The Township had 24% of disbursements that were invoiced prior to the purchase order date.	No	Repeated as finding 2013-AT-002
2012-AT-002	<u>Non-compliance finding</u> - 31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end. The Township did not file their 2011 reporting packet with the Federal Audit Clearing House until after the nine month deadline.	Yes	N/A



# 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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 7, 2014**