

**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

***FINANCIAL STATEMENT***  
**(AUDITED)**

FOR THE YEAR ENDED  
DECEMBER 31, 2017





# Dave Yost • Auditor of State

Township Trustee  
Auburn Township  
11010 Washington Street  
Chagrin Falls, Ohio 44023

We have reviewed the *Independent Auditor's Report* of the Auburn Township, Geauga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. 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. The 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

October 1, 2018

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**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

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

To the Board of Trustees:

***Report on the Financial Statement***

We have audited the accompanying financial statement of the cash balances, receipts, and disbursements by fund type, and related notes of Auburn Township, Geauga County, Ohio, as of and for the year ended December 31, 2017.

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

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

***Auditor's Responsibility***

Our responsibility is to opine on this financial statement 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 statement is 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 Auburn Township's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of 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.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statement, Auburn Township prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Auburn Township as of December 31, 2017, and the respective changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Auburn Township, Geauga County, Ohio, as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, 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. 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 Auburn Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 28, 2018



**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | Governmental Fund Types |                     |                  |                     | Total<br>(Memorandum<br>Only) |
|---|-------------------------|---------------------|------------------|---------------------|-------------------------------|
|   | General                 | Special<br>Revenue  | Debt<br>Service  | Capital<br>Projects |                               |
| Cash receipts:  |                         |                     |                  |                     |                               |
| Property and Other Local Taxes                        | \$ 328,196              | \$ 2,096,560        | \$ 313,353       | \$ -                | \$ 2,738,109                  |
| Licenses, Permits and Fees                            | 43,868                  | 5,030               | -                | -                   | 48,898                        |
| Intergovernmental                                     | 190,060                 | 389,500             | -                | -                   | 579,560                       |
| Earnings on Investments                               | 10,076                  | 2,752               | -                | -                   | 12,828                        |
| Miscellaneous   | 74,030                  | 1,320               | -                | -                   | 75,350                        |
| <b>Total cash receipts</b>                            | <b>646,230</b>          | <b>2,495,162</b>    | <b>313,353</b>   | <b>-</b>            | <b>3,454,745</b>              |
| Cash disbursements:                                   |                         |                     |                  |                     |                               |
| Current:  |                         |                     |                  |                     |                               |
| General Government                                    | 459,065                 | 51,507              | -                | -                   | 510,572                       |
| Public Safety   | -                       | 964,743             | -                | -                   | 964,743                       |
| Public Works  | 25,900                  | 1,455,840           | -                | -                   | 1,481,740                     |
| Health  | 9,039                   | 9,501               | -                | -                   | 18,540                        |
| Conservation-Recreation                               | 159,521                 | -                   | -                | 53,279              | 212,800                       |
| Capital Outlay  | -                       | 108,400             | -                | 237,838             | 346,238                       |
| Debt Service:   |                         |                     |                  |                     |                               |
| Principal Retirement                                  | -                       | -                   | 142,035          | -                   | 142,035                       |
| Interest and Fiscal Charges                           | -                       | -                   | 168,730          | -                   | 168,730                       |
| <b>Total cash disbursements</b>                       | <b>653,525</b>          | <b>2,589,991</b>    | <b>310,765</b>   | <b>291,117</b>      | <b>3,845,398</b>              |
| Excess of receipts over (under) disbursements         | (7,295)                 | (94,829)            | 2,588            | (291,117)           | (390,653)                     |
| Other Financing Receipts (Disbursements):             |                         |                     |                  |                     |                               |
| Transfers In  | -                       | 1,996               | -                | 116,480             | 118,476                       |
| Transfers Out   | (118,476)               | -                   | -                | -                   | (118,476)                     |
| <b>Total Other Financing Receipts (Disbursements)</b> | <b>(118,476)</b>        | <b>1,996</b>        | <b>-</b>         | <b>116,480</b>      | <b>-</b>                      |
| Net change in fund cash balances                      | (125,771)               | (92,833)            | 2,588            | (174,637)           | (390,653)                     |
| Fund cash balances, January 1, 2017                   | 383,838                 | 1,190,481           | 81,214           | 293,198             | 1,948,731                     |
| Fund cash balances:                                   |                         |                     |                  |                     |                               |
| Restricted  | -                       | 1,037,648           | 83,802           | 118,561             | 1,240,011                     |
| Committed   | 5,650                   | 60,000              | -                | -                   | 65,650                        |
| Unassigned (Deficit)                                  | 252,417                 | -                   | -                | -                   | 252,417                       |
| <b>Fund cash balances, December 31, 2017</b>          | <b>\$ 258,067</b>       | <b>\$ 1,097,648</b> | <b>\$ 83,802</b> | <b>\$ 118,561</b>   | <b>\$ 1,558,078</b>           |

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

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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 and other organizations that were included to ensure that the financial statement is 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.

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

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). The Township participates in one Public Entity Risk Pool, The Ohio Township Risk Management Authority (OTARMA). Notes 8, 15 and 16 to the financial statement provide additional information for these entities.

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

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

***Basis of Presentation***

The Township's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

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***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***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 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.

***Debt Service Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

***General Bond Retirement Fund*** The bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance public improvements.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

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

***Basis of Accounting***

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

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**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

**Encumbrances** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 4.

***Deposits and Investments***

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

***Fund Balance***

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

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

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**Committed** Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Compliance**

The Township was in noncompliance with Ohio Revised Code Section 5705.41(D) for the year ended December 31, 2017.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

| 2017 Budgeted vs. Actual Receipts |                      |                    |                  |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance         |
| General                           | \$562,254            | \$646,230          | \$83,976         |
| Special Revenue                   | 2,335,933            | 2,497,158          | 161,225          |
| Debt Service                      | 313,352              | 313,353            | 1                |
| Capital Projects                  | 136,548              | 116,480            | (20,068)         |
| Total                             | <u>\$3,348,087</u>   | <u>\$3,573,221</u> | <u>\$225,134</u> |

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$866,021                  | \$781,880                 | \$84,141  |
| Special Revenue                                       | 3,222,531                  | 2,662,540                 | 559,991   |
| Debt Service  | 336,976                    | 310,765                   | 26,211    |
| Capital Projects                                      | 378,658                    | 291,117                   | 87,541    |
| Total   | \$4,804,186                | \$4,046,302               | \$757,884 |

**Note 5 – Deposits and Investments**

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

|  |             |
|--|-------------|
|  | 2017        |
| Demand deposits                                | \$98,681    |
| Other time deposits (savings and NOW accounts) | 136,579     |
| Total deposits                                 | 235,260     |
| STAR Ohio                                      | 1,322,818   |
| Total investments                              | 1,322,818   |
| Total deposits and investments                 | \$1,558,078 |

***Deposits***

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2017, the financial institution still maintained its own collateral pool.

***Investments***

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 6 – Property Taxes**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

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

**Note 7 – Interfund Balances**

There were no outstanding advances at December 31, 2017.

**Note 8 – Risk Management**

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

|              | <b>2017</b>  |
|--------------|--------------|
| Assets       | \$40,010,732 |
| Liabilities  | 8,675,465    |
| Net Position | \$31,335,267 |

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

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At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$13,000.

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.

|  |
|--|
| <b><u>2017 Contributions to OTARMA</u></b> |
| \$30,117                                   |

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

**Note 9 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Several Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postemployment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

| <i>Retirement Rates</i> | <i>Year</i> | <i>Member Rate</i> | <i>Employer Rate</i> |
|-------------------------|-------------|--------------------|----------------------|
| <i>OPERS – Local</i>    | <i>2017</i> | <i>10%</i>         | <i>14%</i>           |



**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

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***Social Security***

Several of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 10 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 11 – Debt**

Debt outstanding at December 31, 2017, was as follows:

|  | <u>Principal</u>          | <u>Interest Rate</u> |
|--|---------------------------|----------------------|
| USDA 2011 Fire Station Improvement Bond    | \$2,215,256               | 4.13%                |
| Middlefield Bank 2014 Road Dept Truck Loan | 33,668                    | 2.70%                |
| Middlefield Bank 2016 Service Garage Bond  | <u>1,949,639</u>          | 3.60%                |
| Total                                      | <u><u>\$4,198,563</u></u> |                      |

The USDA Fire Station Improvement Bond was issued in 2011 for the construction of a new fire station. The bond will be retired from the general debt retirement fund and has an annual interest rate of 4.13%. The bond will be paid off in 2040.

The Middlefield Bank Loan was issued in 2014 for the purchase of a truck for the road department. The loan will be retired from the general debt retirement fund and has an annual interest rate of 2.70%. The bond will be paid off in 2018.

The Middlefield Bank Bond was issued in 2016 for the construction of a new service garage. The bond will be retired from the general debt retirement fund and has an annual interest rate of 3.60%. The bond will be paid off in 2041.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

***Leases***

The Township leases a copy and print machine. The Township disbursed \$1,404 at a rate of \$117 per month to pay this lease cost for the year ended December 31, 2017. The Township is not obligated to lease this equipment beyond a one year period, but expects comparable lease expenses through the next five years.

***Amortization***

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

| Year Ending<br>December 31, | USDA Bond          |                    | 2014 Truck Loan |              | 2016 Service Garage Bond |                    |
|-----------------------------|--------------------|--------------------|-----------------|--------------|--------------------------|--------------------|
|                             | Principal          | Interest           | Principal       | Interest     | Principal                | Interest           |
| 2018                        | 61,000             | 91,379             | \$33,668        | \$922        | 52,199                   | 71,162             |
| 2019                        | 64,000             | 88,863             | 0               | 0            | 54,104                   | 69,257             |
| 2020                        | 66,000             | 86,459             | 0               | 0            | 55,894                   | 67,466             |
| 2021                        | 69,000             | 83,501             | 0               | 0            | 58,119                   | 65,242             |
| 2022                        | 72,000             | 80,654             | 0               | 0            | 60,240                   | 63,120             |
| 2023 - 2027                 | 407,000            | 356,410            | 0               | 0            | 335,654                  | 281,149            |
| 2028 - 2032                 | 500,000            | 265,167            | 0               | 0            | 401,471                  | 215,331            |
| 2033 - 2037                 | 610,000            | 153,161            | 0               | 0            | 480,475                  | 136,327            |
| 2038 - 2041                 | 366,256            | 28,133             | 0               | 0            | 451,483                  | 41,959             |
| Total                       | <u>\$2,215,256</u> | <u>\$1,233,727</u> | <u>\$33,668</u> | <u>\$922</u> | <u>\$1,949,639</u>       | <u>\$1,011,013</u> |

**Note 12 – Construction and Contractual Commitments**

The Township does not have any current significant construction or contractual commitments.

**Note 13 – Contingent Liabilities**

The Township is a defendant in one or more lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township’s financial condition.

**Note 14 – Joint Ventures**

The Township is not involved in any joint ventures.

**Note 15 – Jointly Governed Organizations**

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.

**Auburn Township**  
*Geauga County, Ohio*  
*Notes to the Financial Statement*  
*For the Year Ended December 31, 2017*

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In 2017, the Township contributed \$5,000 to KCE in the form of one lump sum payment.

Separately-audited statements for KCE can be obtained from Jennifer Holzheimer, KCE Executive Director at 9421 Bainbridge Rd, Chagrin Falls, OH 44023.

**Note 16 – Public Entity Risk Pool**

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 8 to the financial statement provides additional information for this entity.

**Note 17 – Related Organizations**

The Township is not accountable to any related organizations.

**Note 18 – Related Party Transactions**

The Township has not been a party to any related party transactions.

**Note 19 – Subsequent Events**

There are no material debt issuances, uninsured losses, new tax levies or other material revenues or expenditures incurred subsequent to the financial statement date which would affect the financial statement or otherwise require reporting.

**Note 20 – Miscellaneous Receipts**

Miscellaneous receipts in the general fund consists primarily of rents and reimbursements.

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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 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 and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the cash balances, receipts, and disbursements by fund type of Auburn Township, Geauga County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statement and have issued our report thereon dated June 28, 2018, wherein we noted Auburn Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered 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 statement, but not to the extent necessary to opine on the effectiveness of Auburn Township's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 are described in the accompanying schedule of findings and responses as item 2017-001.

***Auburn Township's Response to Finding***

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

***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 Auburn Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Auburn Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
June 28, 2018

**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

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

| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENT<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |          |
|---|----------|
| Finding Number  | 2017-001 |

Material Noncompliance

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.

The Township had 18.75% of expenditures that were not timely certified for the year ended December 31, 2017.

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

We recommend that all orders or contracts involving the expenditure 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 Trustees and distributed at least annually may be beneficial. The Township should consider using “Then” and “Now” certificates where applicable.

Client Response: These findings represent purchases made without first ensuring that a certified purchase order has been issued by the Fiscal Officer. The Fiscal Officer will review purchase policies and procedures with township personnel and implement further controls. The Fiscal Officer will use “Then” and “Now” certificates where applicable.

**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017**

| Finding Number | Year Initially Occurred | Finding Summary   | Status        | Additional Information  |
|----------------|-------------------------|---|---------------|---|
| 2016-001       | 2013                    | <u>Material Weakness - Financial Statement Presentation</u> - A monitoring system by the Fiscal Officer and the Board of Trustees should be in place to prevent or detect material misstatements for the accurate presentation to the Township's financial statement. The Township had several audit adjustments.   | Corrected     | N/A   |
| 2016-002       | 2016                    | <u>Material Noncompliance</u> - Ohio Revised Code Section 5705.41(D) requires in part 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. The Township had 16.67% of expenditures that were not timely certified at December 31, 2016. | Not Corrected | Finding repeated as 2017-001 as expenditures were not timely certified. |
| 2016-003       | 2014                    | <u>Material Noncompliance</u> - Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources. The Township had appropriations exceeding estimated resources in various fund at December 31, 2016.  | Corrected     | N/A   |
| 2016-004       | 2014                    | <u>Material Noncompliance</u> - Ohio Revised Code Section 5705.36 in part, requires subdivisions to request amended certificates of estimated resources if the legislative authority intends to appropriate and expend excess revenue. Throughout the year ended December 31, 2016 the Township had appropriations exceeding estimated resources.   | Corrected     | N/A   |



**AUBURN TOWNSHIP  
GEAUGA COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017**

| <b>Finding Number</b> | <b>Year Initially Occurred</b> | <b>Finding Summary</b>   | <b>Status</b> | <b>Additional Information</b> |
|-----------------------|--------------------------------|--|---------------|-------------------------------|
| 2016-005              | 2016                           | <u>Material Noncompliance</u> - Ohio Revised Code Section 5705.36 (A)(4) in part requires that total appropriations from each fund should not exceed total actual resources. Throughout the year ended December 31, 2016 the Township had appropriations exceeding actual resources. | Corrected     | N/A                           |

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# 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  
OCTOBER 11, 2018**