

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

***FINANCIAL STATEMENT
(AUDITED)***

FOR THE YEAR ENDED
DECEMBER 31, 2016



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, 2016 through December 31, 2016. 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

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 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, 2016.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial 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, 2016, 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, 2016, 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.

Emphasis of Matter

As described further in Note 20 to the financial statement, during 2016, the Township changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements - Cash Basis* to cash (regulatory) basis of accounting.

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, 2016

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property and Other Local Taxes	\$ 308,799	\$ 2,029,721	\$ 251,672	\$ -	\$ 2,590,192
Licenses, Permits and Fees	40,691	5,920	-	-	46,611
Intergovernmental	128,504	414,306	-	-	542,810
Earnings on Investments	8,096	2,081	-	-	10,177
Miscellaneous	52,525	1,055	-	-	53,580
Total cash receipts	<u>538,615</u>	<u>2,453,083</u>	<u>251,672</u>	<u>-</u>	<u>3,243,370</u>
Cash disbursements:					
Current:					
General Government	417,173	74,265	-	-	491,438
Public Safety	-	718,893	-	-	718,893
Public Works	74,682	1,496,944	-	-	1,571,626
Health	8,689	2,535	-	-	11,224
Conservation-Recreation	30,782	-	-	75,067	105,849
Capital Outlay	-	2,198,996	-	2,600	2,201,596
Debt Service:					
Principal Retirement	-	-	87,894	-	87,894
Interest and Fiscal Charges	-	-	98,820	-	98,820
Total cash disbursements	<u>531,326</u>	<u>4,491,633</u>	<u>186,714</u>	<u>77,667</u>	<u>5,287,340</u>
Excess of receipts over (under) disbursements	<u>7,289</u>	<u>(2,038,550)</u>	<u>64,958</u>	<u>(77,667)</u>	<u>(2,043,970)</u>
Other Financing Receipts (Disbursements):					
Sale of Bonds	2,000,000	-	-	-	2,000,000
Transfers In	400,000	2,064,558	-	27,267	2,491,825
Transfers Out	(2,091,825)	(400,000)	-	-	(2,491,825)
Advances In	152,123	-	152,123	-	304,246
Advances Out	(152,123)	-	(152,123)	-	(304,246)
Total Other Financing Receipts (Disbursements)	<u>308,175</u>	<u>1,664,558</u>	<u>-</u>	<u>27,267</u>	<u>2,000,000</u>
Net change in fund cash balances	315,464	(373,992)	64,958	(50,400)	(43,970)
Fund cash balances, January 1, 2016 (restated)	<u>68,374</u>	<u>1,564,473</u>	<u>16,256</u>	<u>343,598</u>	<u>1,992,701</u>
Fund cash balances:					
Restricted	-	1,190,481	81,214	293,198	1,564,893
Committed	21,193	-	-	-	21,193
Unassigned (Deficit)	362,645	-	-	-	362,645
Fund cash balances, December 31, 2016	<u>\$ 383,838</u>	<u>\$ 1,190,481</u>	<u>\$ 81,214</u>	<u>\$ 293,198</u>	<u>\$ 1,948,731</u>

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, 2016

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 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). 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:

Auburn Township
Geauga County, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

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

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

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.

Auburn Township
Geauga County, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

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.

Auburn Township
Geauga County, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

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

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

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

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

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

Note 3 - Compliance

The Township was in noncompliance with Ohio Revised Code Sections 5705.41(D), 5705.39, 5705.36, and 5705.36(A)(4) for the year ended December 31, 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,485,530	\$3,090,738	\$605,208
Special Revenue	4,491,150	4,517,641	26,491
Debt Service	342,115	403,795	61,680
Capital Projects	0	27,267	27,267
Total	\$7,318,795	\$8,039,441	\$720,646

Auburn Township
Geauga County, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,802,601	\$2,796,467	\$6,134
Special Revenue	5,413,969	5,005,190	408,779
Debt Service	186,977	338,837	(151,860)
Capital Projects	83,905	77,667	6,238
Total	\$8,487,452	\$8,218,161	\$269,291

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:

	2016
Demand deposits	\$424,474
Other time deposits (savings and NOW accounts)	211,177
Total deposits	635,651
STAR Ohio	1,313,080
Total investments	1,313,080
Total deposits and investments	\$1,948,731

Deposits

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit 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.

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

Auburn Township
Geauga County, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

Note 7 - Interfund Balances

There were no outstanding advances at December 31, 2016.

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, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

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

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

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$13,000.

Auburn Township
Geauga County, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

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

<u>2016 Contributions to OTARMA</u>
\$29,269

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

Some 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%, of their gross salaries and the Township contributed an amount equaling 14%, of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2016</i>	<i>10%</i>	<i>14%</i>

Social Security

Several Township 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, 2016.

Auburn Township
Geauga County, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 11 - Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA 2011 Fire Station Improvement Bond	\$2,274,256	4.13%
Middlefield Bank 2014 Road Dept Truck Loan	66,440	2.70%
Middlefield Bank 2016 Service Garage Bond	<u>2,000,000</u>	3.60%
Total	<u>\$4,340,696</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 loan 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.

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, 2016. The Township is not obligated to lease this equipment beyond a one year period, but expects comparable lease expenses through the next five years.

Auburn Township
Geauga County, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

Amortization

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

Year Ending December 31,	USDA Bond		2014 Truck Loan		2016 Service Garage Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$59,000	\$93,813	\$32,772	\$1,819	\$50,361	\$73,000
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 - 2026	391,000	372,538	0	0	323,834	292,969
2027 - 2031	480,000	284,845	0	0	387,432	229,371
2032 - 2036	586,000	177,456	0	0	463,457	153,345
2037 - 2041	498,256	48,686	0	0	554,600	62,202
Total	<u>\$2,274,256</u>	<u>\$1,327,540</u>	<u>\$66,440</u>	<u>\$2,741</u>	<u>\$2,000,000</u>	<u>\$1,084,014</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.

In 2016, 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 17425 Snyder Road, Chagrin Falls, Ohio 44023.

Auburn Township
Geauga County, Ohio
Notes to the Financial Statement
For the Year Ended December 31, 2016

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 - Prior Period Restatement

The Township changed its accounting basis from GASB - cash basis to the cash (regulatory) basis of accounting. It had the following effect on fund balances at January 1, 2016.

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Miscellaneous Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Special Revenue</u>
December 31, 2015	\$ 68,374	\$ 909,409	\$ 560,849	\$ 339,943	\$ 114,126	\$ -
Reclass	<u>-</u>	<u>(909,409)</u>	<u>(560,849)</u>	<u>(339,943)</u>	<u>(114,126)</u>	<u>1,564,473</u>
January 1, 2016	<u>\$ 68,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,564,473</u>
		<u>Debt Service</u>	<u>Capital Projects</u>			
December 31, 2015	\$ -	\$ -				
Reclass	<u>16,256</u>	<u>343,598</u>				
January 1, 2016	<u>\$ 16,256</u>	<u>\$ 343,598</u>				

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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 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, 2016, and the related notes to the financial statement and have issued our report thereon dated June 28, 2018, wherein we noted as disclosed in Note 20, Auburn Township changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements - Cash Basis* to the cash (regulatory) basis of accounting and followed 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Board of Trustees
Auburn Township

Compliance and Other Matters

As part of reasonably assuring whether Auburn Township's financial statement is 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2016-002 through 2016-005.

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 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, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

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.

Numerous adjustments were made to the financial statement and note disclosures for the year ended December 31, 2016, to properly state financial statement amounts.

The audited financial statement, note disclosures and Township records have been adjusted for the misstatements identified during the audit.

Presentation of materially correct financial statement and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statement that enable management to identify, prevent, detect and correct potential misstatements in the financial statement and footnotes. 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.

We recommend Auburn Township implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the financial statement prior to presenting them to the auditors.

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

Finding Number	2016-002
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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 16.67% of expenditures that were not timely certified for the year ended December 31, 2016.

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.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-002 - (Continued)

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.

Finding Number	2016-003
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Material Noncompliance

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

At December 31, 2016, the total appropriations exceeded the total estimated resources in the following funds:

<u>2016</u> <u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
General Fund	\$ 2,802,601	\$ 2,553,904	\$ 248,697
<u>Special Revenue:</u> Road and Bridge Fund	4,292,575	4,198,992	93,583

With appropriations exceeding estimated resources, the Township is appropriating monies that are either not in the Treasury, in process of collection or have not been properly certified to the Budget Commission, which could cause a fund deficit to occur.

We recommend that the Township comply with the Ohio Revised Code and monitor appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continued basis and amending estimated resources or appropriations as necessary.

Client Response: The Fiscal Officer notes that 2015 audit adjustments were implemented in the second quarter of 2016 reducing General Fund and Road and Bridge Fund balances on the books. The adjustments were necessary to present an accurate accounting. At no time did expenditures exceed available resources. The money actually received into the General Fund totaled \$3,090,738 which exceeded appropriations. The Fiscal Officer will monitor appropriations so they do not exceed estimated resources.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

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

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-004

Material Noncompliance

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased 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. Thus, the Township did not request appropriate amended certificates throughout the year or by fiscal year end upon notice of increased or decreased resources in order to equal or exceed appropriations.

The Township is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the Township review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the Township's appropriation process.

Client Response: The Fiscal Officer refers back to his response under Finding 2016-03. The Township Fiscal Officer will request amended certificates when deemed necessary.

Finding Number	2016-005
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Material Noncompliance

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Township had appropriations in excess of actual resources, which consists of actual revenues and beginning unencumbered fund balance, at December 31, 2016 in the following funds:

<u>2016</u> <u>Fund Type/Fund</u>	<u>Actual</u> <u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
Road and Bridge Fund	\$ 4,169,273	\$ 4,292,575	\$ 123,302

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-005 - (Continued)

By appropriating more funds than actual resources, the Township is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the Township monitor estimated resources in comparison with actual resources and appropriations, and if necessary, obtain a decreased amended certificate and amend appropriations accordingly. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: The Fiscal Officer refers back to his response under Finding 2016-03 and notes that at no time did actual expenditures exceed available resources. The Fiscal Officer will monitor estimated resources in comparison with actual resources and appropriations, and if necessary, obtain a decreased amended certificate and amend appropriations accordingly.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2015-001	2013	<u>Material Weakness</u> - Financial Statement Presentation - A monitoring system by the Fiscal Officer and Board of Trustees should be in place to prevent or detect material misstatements for the accurate presentation to the Township's financial statements. The Township had several audit adjustments.	Not Corrected	Finding repeated as 2016-001 as transactions were not closely monitored prior to filing the current year report.
2015-002	2015	<u>Noncompliance</u> - Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated. The Township had various funds with expenditures exceeding appropriations at December 31, 2015.	Corrected	N/A
2015-003	2014	<u>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 funds at December 31, 2015.	Not Corrected	Finding repeated as 2016-003 as appropriations exceeded estimated resources.
2015-004	2014	<u>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, 2015 the Township had appropriations exceeding estimated resources.	Not Corrected	Finding repeated as 2016-004 as the Township did not request amended certificates throughout the year.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2015-005	2014	<u>Noncompliance/Material Weakness</u> - Ohio Revised Code Section 5705.38(C) in part, requires Townships to follow the minimum level of budgetary control at the office, department, and division, and, within each, the amount appropriated for personal services. For the year ended December 31, 2015 appropriations were passed at the department level but did not appropriately state the amount appropriated for personal services within each department.	Corrected	N/A
2015-006	2014	<u>Noncompliance/Material Weakness</u> - Ohio Administrative Code 117-2-02(C)(1) states that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. In 2015, the Township's appropriations approved in the minutes did not agree to the Uniform Accounting Network (UAN) system appropriations.	Corrected	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
OCTOBER 11, 2018**