

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2015

FRED MAY, FISCAL OFFICER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Auburn Township, Geauga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 19, 2016

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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 Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn Township, Geauga County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the basic financial statements, which collectively comprise the Auburn Township's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn Township, Geauga County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and the Road and Bridge and Special Fire Levy major special revenue funds, thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2016 on our consideration of the Auburn Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Auburn Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
April 26, 2016

Auburn Township
Geauga County
Statement of Net Position - Cash Basis
December 31, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,992,701</u>
<i>Total Assets</i>	<u><u>\$1,992,701</u></u>
Net Position	
Restricted for:	
Debt Service	16,256
Other Purposes	1,568,128
Unrestricted	<u>408,317</u>
<i>Total Net Position</i>	<u><u>\$1,992,701</u></u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Current:					
General Government	\$ 462,301	\$ 42,208	\$ -	\$ -	\$ (420,093)
Public Safety	720,075	-	153,011	-	(567,064)
Public Works	1,839,476	-	635,500	-	(1,203,976)
Health	10,181	9,050	-	-	(1,131)
Conservation-Recreation	116,770	16,985	-	1,500	(98,285)
Capital Outlay	182,557	-	-	-	(182,557)
Debt Service:					
Principal Retirement	85,049	-	-	-	(85,049)
Interest & Fiscal Charges	101,892	-	-	-	(101,892)
<i>Total Governmental Activities</i>	<u>\$ 3,518,301</u>	<u>\$ 68,243</u>	<u>\$ 788,511</u>	<u>\$ 1,500</u>	<u>\$ (2,660,047)</u>

General Receipts:	
Property Taxes:	
General Purposes	307,269
Road and Bridge Purposes	1,345,010
Fire Levy Purposes	721,101
Debt Service Purposes	203,197
Grants and Entitlements not Restricted to Specific Programs	115,792
Earnings on Investments	5,071
Miscellaneous	15,275
Total General Receipts	<u>2,712,715</u>
<i>Change in Net Position</i>	52,668
<i>Net Position Beginning of Year</i>	<u>1,940,033</u>
<i>Net Position End of Year</i>	<u>\$ 1,992,701</u>

See accompanying notes to the basic financial statements

Auburn Township
 Geauga County, Ohio
 Statement of Assets and Fund Balances - Cash Basis
 Governmental Funds
 December 31, 2015

	General	Road and Bridge	Special Fire Levy	Miscellaneous Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 68,374	\$ 909,409	\$ 560,849	\$ 339,943	\$ 114,126	\$ 1,992,701
<i>Total Assets</i>	<u>\$ 68,374</u>	<u>\$ 909,409</u>	<u>\$ 560,849</u>	<u>\$ 339,943</u>	<u>\$ 114,126</u>	<u>\$ 1,992,701</u>
Fund Balances						
Restricted	-	909,409	560,849	-	114,126	1,584,384
Committed	-	-	-	339,943	-	339,943
Assigned	68,374	-	-	-	-	68,374
Unassigned (Deficit)	-	-	-	-	-	-
<i>Total Fund Balances</i>	<u>\$ 68,374</u>	<u>\$ 909,409</u>	<u>\$ 560,849</u>	<u>\$ 339,943</u>	<u>\$ 114,126</u>	<u>\$ 1,992,701</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2015

	General	Road and Bridge	Special Fire Levy	Miscellaneous Capital Projects	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 307,269	\$ 1,345,010	\$ 721,101	\$ -	\$ 203,197	\$ 2,576,577
Licenses, Permits and Fees	42,208	-	-	-	7,590	49,798
Intergovernmental	155,792	505,719	113,011	-	129,644	904,166
Earnings on Investments	5,071	-	629	-	137	5,837
Miscellaneous	31,631	-	-	-	2,960	34,591
<i>Total Receipts</i>	<u>541,971</u>	<u>1,850,729</u>	<u>834,741</u>	<u>-</u>	<u>343,528</u>	<u>3,570,969</u>
Disbursements						
Current:						
General Government	412,174	-	50,127	-	-	462,301
Public Safety	-	-	720,075	-	-	720,075
Public Works	27,170	1,680,183	-	-	132,123	1,839,476
Health	4,902	-	-	-	5,279	10,181
Conservation-Recreation	74,081	-	-	42,689	-	116,770
Capital Outlay	-	81,056	81,524	10,032	9,945	182,557
Debt Service:						
Principal Retirement	-	-	-	-	85,049	85,049
Interest & Fiscal Charges	-	-	-	-	101,892	101,892
<i>Total Disbursements</i>	<u>518,327</u>	<u>1,761,239</u>	<u>851,726</u>	<u>52,721</u>	<u>334,288</u>	<u>3,518,301</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>23,644</u>	<u>89,490</u>	<u>(16,985)</u>	<u>(52,721)</u>	<u>9,240</u>	<u>52,668</u>
Other Financing Sources (Uses)						
Transfers In	-	530,000	40,000	-	-	570,000
Transfers Out	(570,000)	-	-	-	-	(570,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(570,000)</u>	<u>530,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>(546,356)</u>	<u>619,490</u>	<u>23,015</u>	<u>(52,721)</u>	<u>9,240</u>	<u>52,668</u>
<i>Fund Balances Beginning of Year</i>	<u>614,730</u>	<u>289,919</u>	<u>537,834</u>	<u>392,664</u>	<u>104,886</u>	<u>1,940,033</u>
<i>Fund Balances End of Year</i>	<u>\$ 68,374</u>	<u>\$ 909,409</u>	<u>\$ 560,849</u>	<u>\$ 339,943</u>	<u>\$ 114,126</u>	<u>\$ 1,992,701</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes:	\$ 306,788	\$ 306,788	\$ 307,269	\$ 481
Licenses, Permits and Fees:	18,500	18,500	42,208	23,708
Intergovernmental	131,316	131,316	155,792	24,476
Earnings on Investments	2,300	2,300	5,071	2,771
Miscellaneous	6,420	6,420	31,631	25,211
<i>Total Receipts</i>	<u>465,324</u>	<u>465,324</u>	<u>541,971</u>	<u>76,647</u>
Disbursements				
Current:				
General Government	494,025	494,515	429,193	65,322
Public Works	49,003	214,003	178,245	35,758
Health	5,700	10,700	5,110	5,590
Conservation-Recreation	30,323	50,323	74,992	(24,669)
<i>Total Disbursements</i>	<u>579,051</u>	<u>769,541</u>	<u>687,540</u>	<u>82,001</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(113,727)</u>	<u>(304,217)</u>	<u>(145,569)</u>	<u>158,648</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(100,000)</u>	<u>(500,000)</u>	<u>(570,000)</u>	<u>(70,000)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>(500,000)</u>	<u>(570,000)</u>	<u>(70,000)</u>
<i>Net Change in Fund Balance</i>	(213,727)	(804,217)	(715,569)	88,648
<i>Unencumbered Fund Balance Beginning of Year</i>	568,191	568,191	568,191	-
Prior Year Encumbrances Appropriated	<u>46,539</u>	<u>46,539</u>	<u>46,539</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 401,003</u>	<u>\$ (189,487)</u>	<u>\$ (100,839)</u>	<u>\$ 88,648</u>

See accompanying notes to the basic financial statement

Auburn Township
Geauga County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 1,381,969	\$ 1,381,969	\$ 1,345,010	\$ (36,959)
Intergovernmental	191,672	191,672	505,719	314,047
<i>Total Receipts</i>	1,573,641	1,573,641	1,850,729	277,088
Disbursements				
Current:				
Public Works	1,057,779	1,106,870	1,698,636	(591,766)
Capital Outlay	85,701	180,701	167,056	13,645
<i>Total Disbursements</i>	1,143,480	1,287,571	1,865,692	(578,121)
<i>Excess of Receipts Over (Under) Disbursements</i>	430,161	286,070	(14,963)	(301,033)
Other Financing Sources (Uses)				
Transfers In	100,000	500,000	530,000	30,000
Transfers Out	(10,000)	(10,000)	-	10,000
<i>Total Other Financing Sources (Uses)</i>	90,000	490,000	530,000	40,000
<i>Net Change in Fund Balance</i>	520,161	776,070	515,037	(261,033)
<i>Unencumbered Fund Balance Beginning of Year</i>	231,240	231,240	231,240	-
Prior Year Encumbrances Appropriated	58,679	58,679	58,679	-
<i>Unencumbered Fund Balance End of Year</i>	\$ 810,080	\$ 1,065,989	\$ 804,956	\$ (261,033)

See accompanying notes to the basic financial statements

Auburn Township
Geauga County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Special Fire Levy
For the Year Ended December 31, 2015

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 614,474	\$ 614,474	\$ 721,101	\$ 106,627
Intergovernmental	102,611	102,611	113,011	10,400
Earnings on Investments	-	-	629	629
<i>Total Receipts</i>	<u>717,085</u>	<u>717,085</u>	<u>834,741</u>	<u>117,656</u>
Disbursements				
Current:				
General Government	65,482	65,482	56,120	9,362
Public Safety	900,476	987,681	952,075	35,606
Capital Outlay	-	62,500	81,524	(19,024)
Debt Service:				
Principal Retirement	100,500	100,500	-	100,500
Interest and Fiscal Charges	51,996	51,996	-	51,996
<i>Total Disbursements</i>	<u>1,118,454</u>	<u>1,268,159</u>	<u>1,089,719</u>	<u>178,440</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(401,369)</u>	<u>(551,074)</u>	<u>(254,978)</u>	<u>296,096</u>
Other Financing Sources (Uses)				
Transfers In	-	-	40,000	40,000
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
<i>Net Change in Fund Balance</i>	(401,369)	(551,074)	(214,978)	336,096
<i>Unencumbered Fund Balance Beginning of Year</i>	350,375	350,375	350,375	-
Prior Year Encumbrances Appropriated	187,458	187,458	187,458	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 136,464</u>	<u>\$ (13,241)</u>	<u>\$ 322,855</u>	<u>\$ 336,096</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

Auburn Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1817 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

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

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Auburn Volunteer Fire Department for fire protection. Police protection is provided by the Geauga County Sheriff at no cost to the Township.

Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, accessible to the Township, and significant in amount to the Township. Auburn Township has no component units.

Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools

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

The Township participates in one jointly governed organization.

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

Auburn Township
Geauga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

In Fiscal Year 2015, 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 Ingram, KCE Executive Director at 17425 Snyder Road, Chagrin Falls, Ohio 44023.

The Township participates in one Public Entity Risk Pool.

The Ohio Township Risk Management Authority (OTARMA) is a risk-sharing pool available to Ohio Townships. OTARMA provides property, casualty, and liability coverage. Note 8 to the financial statements provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

Auburn Township
Geauga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

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

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

Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all classified as governmental.

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

General 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 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.

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

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

Auburn Township
Geauga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

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

Budgetary Process

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

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

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

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

Cash and Investments

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

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

Auburn Township
Geauga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively. At December 31, 2015, Auburn Township had no investments.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2015 was \$5,071 which includes \$4,057 assigned from other Township funds.

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postemployment healthcare benefits.

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Long-Term Obligations

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

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for: road and bridge improvements; fire safety and prevention; and cemetery operations. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

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

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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

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

Interfund Transactions

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

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

Note 3 – Compliance

- A.** The Township expenditures exceeded appropriations in various functions of the General Fund, Road and Bridge Fund, Miscellaneous Capital Projects Fund, and Auburn Community Park Fund in noncompliance with Ohio Revised Code Section 5705.41(B).
- B.** The Township appropriations exceeded the estimated resources in the General Fund and the Special Fire Levy Fund in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.

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- C. The Township appropriations did not meet the minimum legal level of control in noncompliance with Ohio Revised Code Section 5705.38(C).

- D. The Township did not maintain accounting records in noncompliance with Ohio Administrative Code 117-2-02(C)(1).

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Road and Bridge and Special Fire Levy Special Revenue Funds, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$169,213 for the General Fund, \$104,453 for the Road and Bridge Fund and \$237,993 for the Special Fire Levy Fund. There were no outstanding advances at year end.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$250,330 of the Township's bank balance of \$2,019,439 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

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Note 6 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2015, was \$11.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

Agricultural and Residential Real Property	\$233,745,730
Public Utility and Other Real Property	<u>19,776,310</u>
Total	<u><u>\$253,522,040</u></u>

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

Note 7 – Interfund Receivables/Payables

Interfund receivables and payables represent monies owed from one fund to another generally as a result of amounts advanced from an unrestricted fund to a restricted fund out of operational necessity. One typical example would be an advance/loan from the general fund to the road and bridge fund. There were no outstanding interfund balances on December 31, 2015.

Note 8 – Risk Management

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

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The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation. The Township pays the Bureau of Worker's Compensation (BWC) a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims. In 2015 the Township paid an annual premium of \$15,423 compared to \$14,572 the previous year. In 2015, one injury claim was submitted to the BWC.

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

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

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. (YORK), functions as the administrator of OTARMA and provides underwriting, claims loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of American Public Entity Excess Pool (APEEP), which is also administered by YORK. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 casualty claims and \$250,000 for property claims.

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

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, 2014 and 2013 (the latest information available):

	<u>2014</u>	<u>2013</u>
Assets	\$ 35,970,263	\$ 34,954,286
Liabilities	<u>(8,912,432)</u>	<u>(8,486,363)</u>
Net Position – Unrestricted	\$ 27,057,831	\$ 26,467,923

At December 31, 2014 and 2013, respectively, the liabilities above include approximately \$8.3 million and \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million and \$7.5 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2014 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$15,256.

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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 financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 26,954	\$ 29,445	\$ 26,517

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 (via certified mail) 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 OTARMA. Also upon withdrawal, payments for all casualty claims and claim expense become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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

Note 9 – Defined Benefit Pension Plan

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Township employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Township employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Township's contractually required contribution was \$45,807 for year 2015.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2 percent for Traditional and Combined Plans in 2015.

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

The Township’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$7,637, \$7,524 and \$3,409, respectively.

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

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Note 11 – Debt

As of December 31, 2015, the Township had the following debt obligations.

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
USDA 2011 FIRE STATION IMPROVEMENT BOND	4.13%	\$ 2,549,000	7/1/2040
MIDDLEFIELD BANK 2014 ROAD DEPT TRUCK LOAN	2.70%	129,380	9/15/2018

A summary of the note transactions for the year ended December 31, 2015, follows:

	Outstanding 12/31/2014	Additions	Deletions	Outstanding 12/31/2015
Governmental Activities				
USDA 2011 FIRE STATION IMPROVEMENT BOND	\$ 2,384,256	\$ -	\$ 54,000	\$ 2,330,256
HUNTINGTON BANK 2011 ROAD DEPT TRUCK CAPITAL LEASE	27,602	-	27,602	-
MIDDLEFIELD BANK 2014 ROAD DEPT TRUCK LOAN	129,380	-	31,049	98,331

All debts are paid from the general debt retirement fund, with the exception of the Huntington Bank 2011 Road Dept. Truck Capital Lease, which is recorded as capital outlay in the Road and Bridge Fund.

Amortization of the above debt is scheduled as follows:

Year Ending December 31,	USDA Bond		2014 Truck Loan	
	Principal	Interest	Principal	Interest
2016	\$56,000	\$96,386	\$31,891	\$2,699
2017	59,000	93,813	32,772	1,819
2018	61,000	91,379	33,668	922
2019	64,000	88,863	0	0
2020	66,000	86,459	0	0
2021-2025	375,000	388,007	0	0
2026-2030	461,000	303,861	0	0
2031-2035	563,000	200,610	0	0
2036-2040	625,256	74,548	0	0
Total	<u>\$2,330,256</u>	<u>\$1,423,926</u>	<u>\$98,331</u>	<u>\$5,440</u>

Auburn Township
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Note 12 – 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, 2015. The Township is not obligated to lease this equipment beyond a one year period, but expects comparable lease expenses through the next five years.

Note 13 – Fund Balances

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

Fund Balances	General	Road and Bridge	Special Fire Levy	Misc Capital Projects	Other Governmental Funds	Total
Restricted for						
Fund purposes	\$ -	\$ 909,409	\$ 560,849	\$ -	\$ 114,126	\$ 1,584,384
<i>Total Restricted</i>	-	909,409	560,849	-	114,126	1,584,384
Committed for						
Capital Outlay	-	-	-	339,943	-	339,943
<i>Total Committed</i>	-	-	-	339,943	-	339,943
Assigned for						
Future Encumbrances	68,374	-	-	-	-	68,374
<i>Total Assigned</i>	68,374	-	-	-	-	68,374
Unassigned (Deficit)	-	-	-	-	-	-
<i>Total Fund Balances</i>	<u>\$ 68,374</u>	<u>\$ 909,409</u>	<u>\$ 560,849</u>	<u>\$ 339,943</u>	<u>\$ 114,126</u>	<u>\$ 1,992,701</u>

Note 14 – Interfund Transfers

During 2015, the following transfers were made:

Transfers To	Transfers From General
Road and Bridge	\$ 530,000
Special Fire Levy	40,000
Totals	<u>\$ 570,000</u>

The total amount of \$530,000 transferred from the General Fund to Road and Bridge was used primarily to support road capital improvement projects, namely the Stafford Road resurfacing project. The \$40,000 transferred from the General Fund to the Fire Levy Fund represents an Ohio Bureau of Workers Compensation grant award that went to purchasing powered gurneys for the fire department.

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Notes to the Basic Financial Statements
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Note 15 – Construction and Contractual Commitments

On December 21, 2015, the Township committed to an annual contract for fire protection services provided by the Auburn Volunteer Fire Department in the amount of \$696,000 for January 1, 2016 to December 31, 2016.

In 2015, the Township entered into three agreements to provide for the construction of a new service garage with an estimated total cost of approximately 2 million dollars. On October 5, 2015, the Township entered into a contract with the J. Dixon Company for construction management services at a price of \$95,000. On December 7, 2015, the Township entered into a contract with Larsen Architects, Inc. for architectural design and engineering services at a price of \$165,000. On December 21, 2015, the Board of Trustees passed a motion to contract with Hummel Construction for construction services not to exceed \$2,000,000. At that same meeting, the Board of Trustees passed Resolution 2015-17 providing for the issuance and sale of \$2,000,000 in bonds which shall act as security for a construction loan from Middlefield Bank.

Note 16 – Contingent Liabilities

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

Note 17 – Joint Ventures

The Township does not participate in any joint ventures.

Note 18 – Related Organizations

The Township does not participate in any related organizations, such being defined as an organization to which the Township appoints a majority of the board members.

Note 19 – Related Party Transactions

In fiscal year 2015, the Township did not engage in any related party transactions, which are transactions that an informed observer might reasonably believe reflects considerations other than economic self interest based upon the relationship that exists between the parties to the transactions. The term is often used in contrast to an arm's length transaction. The notes should disclose the terms of material related party transactions.

Note 20 – Miscellaneous Receipts

Miscellaneous receipts in the General Fund consist primarily of Bureau of Workers' Compensation refund and rental revenue.

Auburn Township
Geauga County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 21 – Subsequent Event

The Township entered into a loan agreement on March 7, 2016, with Middlefield Banking Company for an amount not to exceed \$2,000,000 at an interest rate not to exceed 4.5% per year for a term not to exceed 25 years for the construction of a new service garage for the road department.



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auburn Township, Geauga County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Auburn Township's basic financial statements and have issued our report thereon dated April 26, 2016, wherein we noted the Auburn Township uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. We consider findings 2015-001, 2015-005 and 2015-006, described in the accompanying schedule of findings and responses, to be a material weaknesses.

Board of Trustees
Auburn Township

Compliance and Other Matters

As part of reasonably assuring whether the 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses at items 2015-002 through 2015-006.

Auburn Township's Response to Findings

The 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 the Auburn Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Julian & Grube, Inc.
April 26, 2016

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

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 statements for the year ended December 31, 2015, to properly state financial statement amounts.

The audited financial statements and Township records have been adjusted for the misstatements identified during the audit.

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

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

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

Finding Number	2015-002
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Noncompliance

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

Expenditures exceeded appropriations, at the Township's legal level of control, in the following funds:

<u>Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund:</u>			
Conservation-Recreation	\$ 50,323	\$ 74,992	\$ 24,669
Transfers Out	500,000	570,000	70,000
<u>Road and Bridge Fund:</u>			
Public Works	1,106,870	1,698,636	591,766
<u>Miscellaneous Capital Projects Fund:</u>			
Conservation-Recreation	58,101	59,206	1,105
<u>Auburn Community Park Fund:</u>			
Conservation-Recreation	-	9,945	9,945

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-002 (Continued)

With disbursements exceeding appropriations, the Township is spending monies that have not lawfully been appropriated by the Board of Trustees. This may result in unnecessary spending.

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

Client Response: The Board will attempt to approve and modify appropriations in a timely manner in accordance with the Ohio Revised Code.

Finding Number	2015-003
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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, 2015, the total appropriations exceeded the total estimated resources in the following funds:

<u>2015</u> <u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
General Fund	\$ 1,223,002	\$ 1,033,515	\$ 189,487
<u>Special Revenue:</u>			
Special Fire Levy Fund	1,080,701	1,067,460	13,241

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 monitoring appropriations so they do not exceed estimated revenue. 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 Township Fiscal Officer will attempt to request amended certificates when deemed necessary.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-004

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, 2015, 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 Township Fiscal Officer will attempt to request amended certificates when deemed necessary.

Finding Number	2015-005
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Noncompliance/Material Weakness

Ohio Revised Code Section 5705.38(C) requires the following minimum level of budgetary control for Townships: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services".

The Township's appropriations for the year ended December 31, 2015 were passed at the department level but did not appropriately state the amount appropriated for personal services within each department.

By not appropriating at the level of control required by the Ohio Revised Code, the Township risks insufficient oversight over expenditures.

We recommend the Township pass appropriations in accordance with the Ohio Revised Code.

Client Response: The Fiscal Officer will work to ensure that current appropriations and other budgetary information are properly input into the UAN system.

Finding Number	2015-006
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Noncompliance/Material Weakness

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. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-006 - (Continued)

In 2015, the Township's appropriations approved in the minutes did not agree to the Uniform Accounting Network (UAN) system appropriations.

By not correctly including appropriations into the financial software, it could become challenging for the Township to easily monitor its budgeted activity in comparison with its actual amounts. The Township is also at risk of overspending in excess of available funds, which could possibly result in negative fund balances.

We recommend that approved appropriation modifications as evidenced within the Board of Trustee's minutes be incorporated into UAN by the Fiscal Officer in a timely manner. This will aid the Board and the Fiscal Officer in their review of disbursements versus appropriations and help ensure appropriations are in place prior to disbursements.

Client Response: The Fiscal Officer will work to ensure that current appropriations and other budgetary information are properly input into the UAN system.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2014-001	<u>Material Weakness</u> - 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 statements for the year ended December 31, 2014, to properly state financial statement amounts.	No	Repeated as finding 2015-001
2014-002	<u>Noncompliance Citation</u> - Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the disbursements of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Township had 26% of disbursements that were invoiced prior to the purchase order date.	Yes	N/A
2014-003	<u>Noncompliance Citation</u> - Ohio Revised Code Section 5705.39 requires that the total appropriations from each fund should not exceed estimated resources. At December 31, 2014, the total appropriations exceeded the total estimated resources in the Road and Bridge Fund.	No	Repeated as finding 2015-003
2014-004	<u>Noncompliance Citation</u> - Ohio Revised Code Section 5705.36 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, 2014, the Township had appropriations exceeding estimated resourced.	No	Repeated as finding 2015-004

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

2014-005	<u>Noncompliance / Material Weakness</u> – Ohio Revised Code Section 5705.38(C) requires the following minimum level of budgetary control for Townships: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services”. The Township’s appropriations for the year ended December 31, 2014 were passed at the function level but did not appropriately state the amount appropriated for personal services within each.	No	Repeated as finding 2015-006
2014-006	<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. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. In 2014, the Township’s appropriations approved in the minutes did not agree to the Uniform Accounting Network (UAN) system appropriations.	No	Repeated as finding 2015-007



Dave Yost • Auditor of State

AUBURN TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 2, 2016**