

AUBURN TOWNSHIP

GEAUGA COUNTY

Regular Audit

For the Years Ended December 31, 2023 and 2022





65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

We have reviewed the *Independent Auditor's Report* of Auburn Township, Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 through December 31, 2023. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery – Late Fees

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Ohio Rev. Code § 5747.06(A) provides every employer, including the state and its political subdivision, maintaining an office or transacting business within this state and making payments of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as a result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation of the benefit of, the employee.

Ohio Rev. Code § 5747.07(B)(4) provides that except as required by divisions (B)(1), (2), and (3) of this section, an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with the payment.

Board of Township Trustees
Auburn Township
11010 East Washington Street
Chagrin Falls, Ohio 44023
Page -2-

Ohio Administrative Code § 145-1-28(B) provides that the employer shall transmit for each reporting period subsequent to the date of coverage an amount equal to the applicable percent of each contributor's earnable salary. Both employee contributions to the Ohio Public Employees Retirement System and a corresponding report shall be filed with the system no later than the thirtieth day after the last day of the reporting period for which they are due.

Internal Revenue Service Notice 931 provides that if an employer's total tax reported for the lookback period was \$50,000 or less, they are a monthly depositor, and accumulated taxes during a calendar month are due by the 15th day of the following month.

The Township failed to timely remit payments by the necessary deadlines to the Internal Revenue Service (IRS), Ohio Department of Taxation, Ohio Public Employees Retirement System, Ohio Department of Job and Family Services, and for certain credit cards. During 2023 and 2022, these penalties, fees, and interest payments aggregated to \$11,247.60. This repeated failure to remit federal income tax withholdings, OPERS withholdings, state tax withholdings, payments to ODJFS, and credit card payments timely is considered gross negligence. The late fees, penalties, and interest paid by the Township that were incurred as a result of gross negligence serve no proper public purpose and could have been avoided had the withholdings and payments been made in a timely manner.

In accordance with the foregoing facts and pursuant to Ohio Rev Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Estate of former Fiscal Officer Fred May in the amount of \$11,247.60, and in favor of the Township's General Fund.

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.



Keith Faber
Auditor of State
Columbus, Ohio

December 26, 2024

***Auburn Township
Geauga County***
For the Years Ended December 31, 2023 and 2022

Table of Contents

Title	Page
Independent Auditors' Report.....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2023.....	4
Notes to the Financial Statements – For the Year Ended December 31, 2023.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2022.....	14
Notes to the Financial Statements – For the Year Ended December 31, 2022.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	24
Schedule of Findings.....	26
Corrective Action Plan (Prepared by Management).....	30

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

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

To the Township Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Auburn Township, Geauga County, Ohio (the Township), which comprise the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2023 and 2022, or the changes in financial position for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30th, 2024, on our consideration of the 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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 Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

September 30, 2024

**AUBURN TOWNSHIP
GEauga COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - REGULATORY CASH BASIS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 381,730	\$ 2,827,962	\$ 212,136	\$ -	\$ 3,421,828
Licenses, Permits and Fees	23,970	8,685	-	27,035	59,690
Intergovernmental	152,981	478,932	-	-	631,913
Earnings on Investments	46,599	30,880	-	-	77,479
Miscellaneous	37,993	26,481	-	-	64,474
<i>Total Cash Receipts</i>	<i>643,273</i>	<i>3,372,940</i>	<i>212,136</i>	<i>27,035</i>	<i>4,255,384</i>
Cash Disbursements					
Current:					
General Government	677,777	200,315	-	-	878,092
Public Safety	-	1,324,223	-	-	1,324,223
Public Works	265	1,882,607	-	-	1,882,872
Health	768	155,108	-	-	155,876
Conservation-Recreation	53,230	-	-	-	53,230
Capital Outlay	3,500	243,583	-	-	247,083
Debt Service:					
Principal Retirement	-	-	153,000	-	153,000
Interest & Fiscal Charges	-	-	59,136	-	59,136
<i>Total Cash Disbursements</i>	<i>735,540</i>	<i>3,805,836</i>	<i>212,136</i>	<i>-</i>	<i>4,753,512</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(92,267)</i>	<i>(432,896)</i>		<i>27,035</i>	<i>(498,128)</i>
Other Financing Receipts (Disbursements)					
Transfers In	-	27,000	-	60,000	87,000
Transfers Out	(27,000)	(60,000)	-	-	(87,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<i>(27,000)</i>	<i>(33,000)</i>	<i>-</i>	<i>60,000</i>	<i>-</i>
<i>Net Change in Fund Cash Balances</i>	<i>(119,267)</i>	<i>(465,896)</i>		<i>87,035</i>	<i>(498,128)</i>
<i>Fund Cash Balances, January 1 - Restated</i>	<i>393,752</i>	<i>1,869,372</i>		<i>29,919</i>	<i>2,293,043</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 274,485</i>	<i>\$ 1,403,476</i>	<i>\$ -</i>	<i>\$ 116,954</i>	<i>\$ 1,794,915</i>

The notes to the financial statements are an integral part of this statement.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Auburn Township, Geauga County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Auburn Volunteer Fire Department to provide fire services and to provide ambulance services.

Jointly Governed Organization and Public Entity Risk Pool

The Township participates in a jointly governed organization, the Auburn Bainbridge Joint Recreation Board, DBA Kenston Community Education (KCE) and a public entity risk pool, the Ohio Township Risk Management Authority (OTARMA). Notes 11 and 6 to the financial statements provide additional information for these entities.

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

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which is organized on a fund type basis.

Fund Accounting

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

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

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:

Road and Bridge Fund The road and bridge fund accounts and receipts property tax money restricted for constructing, maintaining, and repairing Township roads and bridges.

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

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

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 general 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 Projects Fund:

Property Acquisitions/Improvements Fund The property acquisitions/improvements fund accounts for and reports cable franchise fees allocated for the acquisition and improvement of Township real property.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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).

These statements include 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 (C) permit.

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 fund, function or 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.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

A summary of 2023 budgetary activity appears in Note 3.

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.

The Township's 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 an 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 statements do 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 statements do not include a liability for unpaid leave.

Leases and SBITAs

The Township is the lessee in a lease (as defined by GASB 87) related to other equipment under a noncancelable lease. Lease revenue/disbursements are recognized when they are received/paid.

The Township has entered into noncancelable Subscription-Based Information Technology Arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including contracts related to financial systems and various other software. Subscription disbursements are recognized when they are paid.

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township.

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

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 518,187	\$ 643,273	\$ 125,086
Special Revenue	3,261,495	3,399,940	138,445
Debt Service	212,200	212,136	(64)
Capital Projects	60,000	87,035	27,035

2023 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 909,319	\$ 762,540	\$ 146,779
Special Revenue	4,548,100	3,865,836	682,264
Debt Service	180,100	212,136	(32,036)
Capital Projects	29,655	-	29,655

Contrary to Ohio law, the Township did not certify the encumbrance of funds prior to incurring a liability for 35% of transactions tested in 2023.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit account us as follows:

	<u>2023</u>
Demand deposits	<u>\$ 636,269</u>
Total deposits	<u>636,271</u>
STAR Ohio	<u>1,158,646</u>
Total investments	<u>1,158,646</u>
Total deposits and investments	<u><u>\$1,794,915</u></u>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2023, the Township is holding \$0 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS); a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Public utilities are also taxed on personal and real property located within the Township.

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
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2023
Cash and investments	\$33,494,457
Actuarial liabilities	10,885,549

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care 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, 2023.

Social Security

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 7 – Defined Benefit Pension Plans (continued)

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2023.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0% for members in the traditional pension plan and 2% for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4%; however, a portion of the health care rate was funded with reserves.

Note 9 – Debt

Debt outstanding at December 31, 2023, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Township Building Construction Refunding Bonds	\$ 1,618,000	1.67%
Township Fire Station Improvement Refunding Bonds	<u>1,925,000</u>	1.67%
Total	<u>\$ 3,543,000</u>	

On May 27, 2021, the Township issued \$1,767,000 in general obligation refunding bonds to take advantage of lower interest rates on debt originally issued for the Township building construction/renovation and the new Township service garage. The bonds were issued for a 20-year period at a 1.67% interest rate.

On May 27, 2021, the Township issued \$2,156,000 in general obligation refunding bonds to take advantage of lower interest rates on debt originally issued for the Township fire station improvement bonds. The bonds were issued for a 20-year period at a 1.67% interest rate.

In 2023, the County Auditor notified the Township that they had over collected on a tax levy that was expired. The County Auditor estimates approximately \$750,000 will be returned to the county and distributed to its residents or future tax settlements will be reduced. A final resolution to this matter has not yet been determined.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 9 – Debt (continued)

Amortization

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

Year Ending December 31:	General	
	Obligation	Bonds
2024	\$ 214,688	
2025		217,160
2026		221,552
2027		222,832
2028		226,048
2029-2033		1,181,944
2034-2038		1,274,696
2039-2043		538,704
Total		<u>\$4,097,624</u>

Note 10 – Contingent Liabilities

The Township is a defendant in 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 11 – 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 fiscal year 2023, the Township contributed \$5,000 to KCE in the form of one lump sum payment.

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

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the Township had no encumbrances.

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The Township will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 14 – Prior Period Adjustment

The beginning balance of the General Fund increased by \$981 due to voided checks.

**AUBURN TOWNSHIP
GEauga COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - REGULATORY CASH BASIS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$ 377,943	\$ 2,702,879	\$ 296,148	\$ -	\$ 3,376,970
Licenses, Permits and Fees	25,204	9,670	-	27,646	62,520
Intergovernmental	146,110	816,485	-	-	962,595
Earnings on Investments	12,926	10,958	-	-	23,884
Miscellaneous	49,426	29,893	-	-	79,319
<i>Total Cash Receipts</i>	<i>611,609</i>	<i>3,569,885</i>	<i>296,148</i>	<i>27,646</i>	<i>4,505,288</i>
Cash Disbursements					
Current:					
General Government	677,950	174,048	-	-	851,998
Public Safety	-	1,058,567	-	-	1,058,567
Public Works	4,953	2,510,351	-	-	2,515,304
Health	6,009	10,163	-	-	16,172
Human Services	57,706	-	-	-	57,706
Capital Outlay	3,500	111,765	-	493	115,758
Debt Service:					
Principal Retirement	-	24,437	202,563	-	227,000
Interest & Fiscal Charges	-	-	93,585	-	93,585
<i>Total Cash Disbursements</i>	<i>750,118</i>	<i>3,889,331</i>	<i>296,148</i>	<i>493</i>	<i>4,936,090</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(138,509)</i>	<i>(319,446)</i>	<i>-</i>	<i>27,153</i>	<i>(430,802)</i>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	16,450	-	-	-	16,450
<i>Total Other Financing Receipts (Disbursements)</i>	<i>16,450</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>16,450</i>
<i>Net Change in Fund Cash Balances</i>	<i>(122,059)</i>	<i>(319,446)</i>	<i>-</i>	<i>27,153</i>	<i>(414,352)</i>
<i>Fund Cash Balances, January 1</i>	<i>514,830</i>	<i>2,188,818</i>	<i>-</i>	<i>2,766</i>	<i>2,706,414</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 392,771</i>	<i>\$ 1,869,372</i>	<i>\$ -</i>	<i>\$ 29,919</i>	<i>\$ 2,292,062</i>

The notes to the financial statements are an integral part of this statement.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Auburn Township, Geauga County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Auburn Volunteer Fire Department to provide fire services and to provide ambulance services.

Jointly Governed Organization and Public Entity Risk Pool

The Township participates in a jointly governed organization, the Auburn Bainbridge Joint Recreation Board, DBA Kenston Community Education (KCE) and a public entity risk pool, the Ohio Township Risk Management Authority (OTARMA). Notes 11 and 6 to the financial statements provide additional information for these entities.

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

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which is organized on a fund type basis.

Fund Accounting

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

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

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:

Road and Bridge Fund The road and bridge fund accounts and receipts property tax money restricted for constructing, maintaining, and repairing Township roads and bridges.

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

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

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 general 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:

Property Acquisitions/Improvements Fund The property acquisitions/improvements fund accounts for and reports cable franchise fees allocated for the acquisition and improvement of Township real property.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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).

These statements include 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 (C) permit.

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 fund, function or 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.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

A summary of 2022 budgetary activity appears in Note 3.

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.

The Township's 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 an 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 statements do 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 statements do not include a liability for unpaid leave.

Leases

The Township is the lessee in a lease (as defined by GASB 87) related to other equipment under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid.

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township.

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.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$ 694,198	\$ 628,059	\$ (66,139)
Special Revenue	3,025,684	3,569,885	544,201
Debt Service	759,985	296,148	(463,837)
Capital Projects	2,002	27,646	25,644

2022 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Budgetary	Appropriation	Variance
	Disbursements	Authority	
General	\$ 761,637	\$ 824,119	\$ 62,482
Special Revenue	4,021,316	4,728,351	707,035
Debt Service	296,148	310,598	14,450
Capital Projects	493	2,493	2,000

Contrary to Ohio law, the Township did not certify the encumbrance of funds prior to incurring a liability for 26% of transactions tested in 2022.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit account us as follows:

	<u>2022</u>
Demand deposits	<u>\$1,192,304</u>
Total deposits	1,192,304
STAR Ohio	<u>1,099,758</u>
Total investments	1,099,758
Total deposits and investments	<u><u>\$2,292,062</u></u>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2022, the Township is holding \$0 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS); a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 5 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Public utilities are also taxed on personal and real property located within the Township.

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
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2022
Cash and investments	\$32,288,098
Actuarial liabilities	9,146,434

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care 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, 2022.

Social Security

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 7 – Defined Benefit Pension Plans (continued)

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0% during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4% during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Debt

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
Township Building Construction Refunding Bonds	\$ 1,690,000	1.67%
Township Fire Station Improvement Refunding Bonds	2,006,000	1.67%
Western Star Master Financed Purchase	34,480	3.98%
Total	<u>\$ 3,730,480</u>	

On May 27, 2021, the Township issued \$1,767,000 in general obligation refunding bonds to take advantage of lower interest rates on debt originally issued for the Township building construction/renovation and the new Township service garage. The bonds were issued for a 20-year period at a 1.67% interest rate.

On May 27, 2021, the Township issued \$2,156,000 in general obligation refunding bonds to take advantage of lower interest rates on debt originally issued for the Township fire station improvement bonds. The bonds were issued for a 20-year period at a 1.67% interest rate.

Financed Purchase

The Township has entered into financed purchase agreements for a street vehicle where ownership of the underlying asset transfers to the Township by the end of the contract. The Township disbursed \$35,853 in principal and interest to pay these costs for the year ended December 31, 2022.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 9 – Debt (continued)

Amortization

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

Year Ending December 31:	General	
	Obligation Bonds	Financed Purchase
2023	\$ 212,136	\$ 35,853
2024	214,688	-
2025	217,160	-
2026	221,552	-
2027	222,832	-
2028-2032	1,165,384	-
2033-2037	1,254,888	-
2038-2042	801,120	-
Total	<u>\$4,309,760</u>	<u>\$ 35,853</u>

Note 10 – Contingent Liabilities

The Township is a defendant in 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 11 – 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 fiscal year 2022, the Township contributed \$5,000 to KCE in the form of one lump sum payment.

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

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	Special		
	General	Revenue	Total
Outstanding Encumbrances	\$ 11,519	\$ 131,985	\$ 143,504

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. The Township will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

Note 14 – Subsequent Event

In 2023, the County Auditor notified the Township that they had over collected on a tax levy that was expired. The County Auditor estimates approximately \$750,000 will be returned to the county and distributed to its residents or future tax settlements will be reduced. A resolution to this matter has not yet been determined.

**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 E. Washington Street
Chagrin Falls, Ohio 44023

To the Township Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements of Auburn Township, Geauga County, (the Township) and have issued our report thereon dated September 30, 2024, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 that we consider a material weakness. We consider finding 2023-003 to be a material weakness.

Auburn Township
Geauga County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such 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 as items 2023-001 and 2023-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 30, 2024.

Township's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the findings identified in our audit and described in the accompanying Corrective Action Plan. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

September 30, 2024

**AUBURN TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2023 and 2022**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2023-001 - Ohio Revised Code Noncompliance

Certification of Expenditures:

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**AUBURN TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2023 and 2022**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - Continued**

Finding Number 2023-001 - Ohio Revised Code Noncompliance (continued)

During 2023 and 2022, 35% and 26%, respectively of purchase orders tested were not certified by the Township Fiscal Officer prior to incurring the obligation respectively. The transactions had no evidence of the above-mentioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's expenditures exceeding budgetary spending limitations, we recommend that the Township certify expenditures prior to incurring the liability. The Township may use then and now and blanket purchase orders to assist in complying with this requirement.

Management Response:

See Corrective Action Plan.

Finding Number 2023-002 –Noncompliance

Late Penalties and Interest

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rest with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose delineates how the Auditor of State’s Office will question expenditures where the legislative determination of a purpose is manifestly arbitrary and incorrect.

Ohio Rev. Code § 5747.06(A) provides every employer, including the state and its political subdivision, maintaining an office or transacting business within this state and making payments of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as a result; as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation of the benefit of, the employee.

**AUBURN TOWNSHIP
GEauga COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2023 and 2022**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – Continued**

Finding Number 2023-002 – Noncompliance (continued)

Ohio Rev. Code § 5747.07(8)(4) provides that except as required by divisions (8)(1), (2), and (3) of this section, an employer shall make the payment of undeposited taxes for each calendar quarter during which they were required to be withheld no later than the last day of the month following the last day of March, June, September, and December each year. The employer shall file the return prescribed by the tax commissioner with the payment.

Ohio Administrative Code § 145-1-28(B) provides that the employer shall transmit for each reporting period subsequent to the date of coverage an amount equal to the applicable percent of each contributor's earnable salary. Both employee contributions to the Ohio Public Employees Retirement System and a corresponding report shall be filed with the system no later than the thirtieth day after the last day of the reporting period for which they are due.

Internal Revenue Service Notice 931 provides that if an employer's total tax reported for the lookback period was \$50,000 or less, they are a monthly depositor, and accumulated taxes during a calendar month are due by the 15th day of the following month.

The Township failed to timely remit payments by the necessary deadlines to the Internal Revenue Service (IRS), Ohio Department of Taxation, Ohio Public Employees Retirement System, Ohio Department of Job and Family Services, and for certain credit cards. During 2023 and 2022, these penalties, fees, and interest payments aggregated to \$11,247.60. The late fees, penalties, and interest paid by the Township that were incurred serve no proper public purpose and could have been avoided had the withholdings and payments been made in a timely manner.

These matters have been referred to the Auditor of State for further consideration.

We recommend management and the Fiscal Officer implement policies and procedures to withhold and remit taxes and other charges to avoid accruing additional penalties and interest.

Management Response:

See Corrective Action Plan.

**AUBURN TOWNSHIP
GEauga COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2023 and 2022**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – Continued**

Finding Number 2023-003 - Material Weakness

Audit Adjustments and Reclassifications

The Township erroneously recorded numerous transactions during 2023 and 2022. The more significant adjustments are as follows:

- In 2022 and 2023, the Township posted \$27,646 and \$27,035 of cable franchise fees as miscellaneous revenue rather than licenses, permits, and fees.
- In 2022, the Township posted \$16,450 for the sale of a fire department squad car as miscellaneous revenue rather than sale of capital asset.
- In 2022, a prior period adjustment was made to the January 1, 2022 fund balance of \$67,628 to the Debt Service Fund from the Fire Levy fund for property taxes reallocated to rectify a negative fund balance.

The notes to the financial statements 2023 required significant revisions, which were agreed to by Township management and are reflected in the accompanying notes to the financial statements. We noted the following:

- The Summary of Significant Accounting Policies was missing information in 2023 and contained some incorrect and outdated information.
- The Budgetary activity note contained certain inaccurate figures.
- The Fund Balance note included incorrect activity.
- Multiple outdated and unnecessary notes and disclosures.

The accompanying financial statements and the Township's records have been adjusted to properly reflect these transactions. Various other immaterial posting errors were also noted and brought to the attention of management.

The Township did not have an internal control process in place to help ensure the notes to the financial statements filed on the Auditor of State of Ohio HINKLE system were complete and accurate.

Failure to report transactions correctly results in the financial statements not being accurately presented. The Township should file complete and accurate annual financial reports with the Auditor of State. We recommend that the Fiscal Officer refer to the Ohio Township Handbook, Uniform Accounting Network (UAN) manual and other Auditor of State guidance to properly classify its transactions. The Township should utilize the financial statement and footnote shells available on the Auditor of State of Ohio website at <http://www.ohioauditor.gov/references/shells.html> to help ensure all material note disclosures are included in the financial reporting package. In addition, we recommend the Fiscal Officer adopt policies and procedures on the reviewing all financial reports compiled by UAN to ensure their accuracy.

**AUBURN TOWNSHIP
GEauga COUNTY**

**CORRECTIVE ACTION PLAN - PREPARED BY MANAGEMENT
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2023**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	Fiscal Officer will follow the guidance obtained during the current audit process to properly encumber funds.	Immediately	Dan Matsko, Fiscal Officer
2023-002	Late penalties and interest were incurred by the previous administration. The new fiscal officer has implemented procedures to properly withhold taxes and remit in a timely manner.	Immediately	Dan Matsko, Fiscal Officer
2023-003	Fiscal Officer will follow the guidance obtained during the current audit process to complete upcoming annual financial reports filed on the Hinkle System.	Immediately	Dan Matsko, Fiscal Officer

OHIO AUDITOR OF STATE KEITH FABER



AUBURN TOWNSHIP

GEauga COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/7/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov