

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO
*BASIC FINANCIAL STATEMENTS
(AUDITED)***

*FOR THE YEAR ENDED
DECEMBER 31, 2012*

SUSAN PLAVCAN, 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 the Auburn Township, Geauga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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

Dave Yost
Auditor of State

May 21, 2013

This page intentionally left blank.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types	3
Notes to the Financial Statements.....	4 - 13
Supplementary Data:	
Federal Awards Expenditures Schedule	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	15 - 16
Independent Auditor's Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	17 - 18
Schedule of Findings and Responses <i>OMB Circular A-133 § .505</i>	19 - 20
Status of Prior Audit Findings <i>OMB Circular A-133 § .505</i>	21

This page intentionally left blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Auburn Township, Geauga County, as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements 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 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 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 opinion.

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

As described in Note 1 of the financial statements, Auburn Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Auburn Township as of December 31, 2012, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Auburn Township, Geauga County as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As described further in Note 10 during 2012, the Township changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements - Cash Basis* to the cash (regulatory) basis of accounting.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole. The federal awards expenditure schedule presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subjected to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, on our consideration of Auburn Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Auburn Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
April 18, 2013

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property Taxes	\$ 308,781	\$ 1,718,265	\$ 50,701	\$ -	\$ 2,077,747
Intergovernmental	275,376	374,346	-	-	649,722
Licenses, Permits and Fees	18,592	3,985	-	-	22,577
Interest	2,347	522	-	-	2,869
Miscellaneous	56,245	3,050	-	13,155	72,450
Total cash receipts	<u>661,341</u>	<u>2,100,168</u>	<u>50,701</u>	<u>13,155</u>	<u>2,825,365</u>
Cash disbursements:					
Current:					
General Government	398,950	24,235	-	-	423,185
Public Safety	-	481,596	-	-	481,596
Public Works	9,582	1,083,919	-	-	1,093,501
Health	6,290	7,051	-	-	13,341
Conservation-Recreation	23,650	-	-	4,508	28,158
Capital Outlay	-	-	0	1,273,600	1,273,600
Debt Service:					
Principal Retirement	-	-	67,250	62,744	129,994
Interest and Fiscal Charges	-	43,889	12,306	-	56,195
Total cash disbursements	<u>438,472</u>	<u>1,640,690</u>	<u>79,556</u>	<u>1,340,852</u>	<u>3,499,570</u>
Excess of receipts over/(under) disbursements	<u>222,869</u>	<u>459,478</u>	<u>(28,855)</u>	<u>(1,327,697)</u>	<u>(674,205)</u>
Other financing receipts/(disbursements):					
Proceeds of USDA Bond	-	-	-	1,373,057	1,373,057
Transfers In	-	52,362	-	185,033	237,395
Transfers Out	(185,033)	-	-	(52,362)	(237,395)
Advances In	150,000	-	-	-	150,000
Advances Out	-	(52,500)	-	(97,500)	(150,000)
Other Sources	50	-	-	-	50
Total other financing receipts/(disbursements)	<u>(34,983)</u>	<u>(138)</u>	<u>-</u>	<u>1,408,228</u>	<u>1,373,107</u>
Net change in fund cash balances	187,886	459,340	(28,855)	80,531	698,902
Fund cash balances, January 1 (restated)	<u>354,210</u>	<u>422,348</u>	<u>32,994</u>	<u>213,115</u>	<u>1,022,667</u>
Fund cash balances, December 31					
Restricted	-	103,381	4,139	263	107,783
Committed	-	778,307	-	-	778,307
Assigned	252,654	-	-	293,383	546,037
Unassigned	289,442	-	-	-	289,442
Fund cash balances, December 31	<u>\$ 542,096</u>	<u>\$ 881,688</u>	<u>\$ 4,139</u>	<u>\$ 293,646</u>	<u>\$ 1,721,569</u>

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

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 1 - Summary of Significant Accounting Policies

A. Description of the 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 general government services, road and bridge maintenance, and cemetery maintenance.

The Township contracts with the Auburn Volunteer Fire Department to provide fire protection and emergency medical services and is funded by a Township levy. Police protection is provided by the Geauga County Sheriff's Department.

The Township participates in one public entity risk pool and one jointly governed organization. Notes 6 and 8 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool: Ohio Township Association Risk Management Authority (OTARMA), which is a risk sharing pool available to Ohio Townships for property and casualty coverage.

Jointly Governed Organizations: Northeast Ohio Public Energy Council (NOPEC), which is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

C. 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 invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2012.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Interest earned on investments held by the Township is credited to its respective funds. Interest income earned and received by the Township totaled \$2,869.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

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 a mutual aid agreement.

3. Debt Service Fund

This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

4. 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 funds:

Public Acquisition Improvement Fund - The public acquisition improvement fund accounts for and reports transfers assigned for various capital projects throughout the Township.

Fire Department Addition Fund - The fire department addition fund accounts for and reports USDA loan money restricted for the purpose of making improvements to the fire station.

E. Budgetary Process

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

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department, and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. Assigned

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

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

5. 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.

G. Property, Plant, and Equipment

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

H. 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.

I. Interfund Transactions

During the course of normal operations, the Township had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers. Advances are temporary loans to other funds which will ultimately be repaid.

J. 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.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid.

L. Miscellaneous Cash Receipts

The capital projects' miscellaneous cash receipts consist primarily of rental revenue.

Note 2 - Equity in Pooled Deposits and Investments

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

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012
Demand deposits	\$1,221,133
STAR Ohio	500,436
Total deposits and investments	\$1,721,569

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Investments: As of December 31, 2012, the Township had an investment in STAR Ohio for \$500,436. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 3 - Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

Note 4 - Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
2010 Truck Loan	\$79,263	4.54%
2009 Truck Loan	20,894	4.57%
USDA Loan	2,486,256	4.125%
Total	\$2,586,413	

The truck loans are paid from the debt service fund.

A line of credit has been established with the United States Department of Agriculture in the amount of \$2,549,000 for construction of an addition to the fire department. The Township has received the entire \$2,549,000 in proceeds. The related future debt service will be paid from the Special Fire Levy Fund.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Amortization of the above debt is scheduled as follows:

Year	2010 Truck Loan		2009 Truck Loan		USDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$25,257	\$3,598	\$20,894	\$952	\$50,000	\$102,558
2014	26,404	2,451	0	0	52,000	100,496
2015	27,602	1,253	0	0	54,000	98,351
2016	0	0	0	0	56,000	96,386
2017	0	0	0	0	59,000	93,813
2018-2022	0	0	0	0	332,000	430,856
2023-2027	0	0	0	0	407,000	356,410
2028-2032	0	0	0	0	500,000	265,167
2033-2037	0	0	0	0	610,000	153,161
2038-2040	0	0	0	0	366,256	28,133
Total	\$79,263	\$7,302	\$20,894	\$952	\$2,486,256	\$1,725,331

Note 5 - Retirement System

The Township’s 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, of participants’ gross salaries. The Township has paid all contributions required through December 31, 2012.

Note 6 - Risk Management

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

Risk Pool Membership

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township contracted with 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP.) 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 Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>		<u>2010</u>
Assets	\$ 35,086,165	\$	35,855,252
Liabilities	<u>9,718,792</u>		<u>10,664,724</u>
Net Assets	<u>\$ 25,367,373</u>	\$	<u>25,190,528</u>

At December 31, 2011 and 2010, respectively, liabilities noted above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$18,260. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Contributions to OTARMA</u>	
2007	\$11,989
2008	\$12,285
2009	\$11,516
2010	\$13,880
2011	\$18,260
2012	\$25,252

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

There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage in any of the last three years.

Note 7 - Contingent Liabilities

Auburn Township is a party to legal proceedings. The Township management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Township.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 8 - Jointly Governed Organization

Northeast Ohio Public Energy Council The Township is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is comprised of communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in process by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting NOPEC, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at their website, www.nopecinfo.org.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 9 - Interfund Transactions

The general fund transferred \$185,033 to the property acquisition improvement capital projects fund to provide additional resources and to fund construction projects. The Fire Department Addition fund transferred \$52,362 to the Special Fire Levy fund for the current and future debt service on the USDA Loan.

All transfers were in accordance with Sections 5705.14, 5705.15, 5705.16 of the Ohio Revised Code.

The Fire Department Addition fund and the Special Fire Levy fund returned a prior year advance in the amount of \$97,500 and \$52,500, respectively, to the general fund.

Note 10 – Compliance and Accountability

- A. The Township had disbursements with invoices that were dated prior to the purchase orders, thus causing those disbursements not to be certified in a timely manner contrary to Ohio Revised Code Section 5705.41(D).
- B. The Township changed its accounting basis from GASB 34 - cash basis to the cash (regulatory) basis of accounting. It had the following effect on fund balances at January 1, 2012:

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Property Acquisition Improvement</u>	<u>Fire Department Addition</u>
December 31, 2011	\$ 354,210	\$ 52,687	\$ 297,211	\$ 153,093	\$ 55,251
Reclass	-	(52,687)	(297,211)	(153,093)	(55,251)
January 1, 2012	<u>\$ 354,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Other Governmental</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
December 31, 2011	\$ 110,214	\$ -	\$ -	\$ -
Reclass	(110,214)	422,348	32,994	213,115
January 1, 2012	<u>\$ -</u>	<u>\$ 422,348</u>	<u>\$ 32,994</u>	<u>\$ 213,115</u>

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 11 – Budgetary Activity

Budgetary activity for the year follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$488,178	\$811,391	\$323,213
Special Revenue	2,055,638	2,152,530	96,892
Debt Service	50,701	50,701	-
Capital Projects	1,581,879	1,571,245	(10,634)
Total	\$4,176,396	\$4,585,867	\$409,471

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$732,690	\$623,505	\$109,185
Special Revenue	2,136,429	1,693,190	443,239
Debt Service	79,556	79,556	-
Capital Projects	1,494,522	1,490,714	3,808
Total	\$4,443,197	\$3,886,965	\$556,232

SUPPLEMENTARY DATA

**AUBURN TOWNSHIP
FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH (A) FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Program:</i>			
Community Facilities Loans and Grants	10.766	N/A	\$ 1,322,057
Total U.S. Department of Agriculture			<u>1,322,057</u>
Total Federal Financial Assistance			<u>\$ 1,322,057</u>

NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE :

(A) This schedule was prepared on the cash basis of accounting.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Auburn Township, Geauga County, as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated April 18, 2013, wherein we noted Auburn Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. As described further in Note 10, during 2012, the Township changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements - Cash Basis* to the cash (regulatory) basis of accounting.

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 opinion 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 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Trustees
Auburn Township

Compliance and Other Matters

As part of reasonably assuring whether Auburn Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-AT-001.

Entity's Response to Findings

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

We also noted a certain matter not requiring inclusion in this report that we reported to Auburn Township's management in a separate letter dated April 18, 2013.

Purpose of this Report

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



Julian & Grube, Inc.
April 18, 2013



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Auburn Township's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Auburn Township's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings and responses identifies the Auburn Township's major federal program.

Management's Responsibility

Auburn Township's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on Auburn Township's compliance for each of Auburn Township's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about Auburn Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on Auburn Township's major program. However, our audit does not provide a legal determination of Auburn Township's compliance.

Opinion on the Major Federal Program

In our opinion, Auburn Township complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Board of Trustees
Auburn Township

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and responses as item 2012-AT-002. This finding did not require us to modify our compliance opinion on the major federal program.

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

Report on Internal Control Over Compliance

Auburn Township's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered Auburn Township's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Auburn Township's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
April 18, 2013

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Community Facilities Loans and Grants (CFDA #10.766)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-AT-001

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Township had 24% of disbursements tested with an invoice that was dated prior to the purchase order, thus causing those disbursements not to be certified in a timely manner.

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

We recommend that all orders or contracts involving the disbursement of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Township should consider using “Then” and “Now” certificates where applicable.

Client Response: The majority of the disbursements in question above related to the Township’s Fire Station Addition project, which was completed in 2012. In addition, the majority occurred prior to the completion of the prior year audit. The Township will monitor disbursements and use then and now certificates where applicable in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number	2012-AT-002
CFDA Title and Number	N/A
Federal Award Number/Year	2012
Federal Agency	All
Pass-Through Agency	All

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The Township expended \$1,166,073 in federal awards in 2011, but did not file their reporting packet with the Federal Audit Clearinghouse until after the nine month deadline.

We recommend that upon completion of the annual audit, that the Township ensure timely filing of all required reports to the Federal Audit Clearinghouse.

Client Response: The Township will strive to file the reporting packet timely.

**AUBURN TOWNSHIP
GEAUGA COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-AT-001	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Repeated as finding 2012-AT-001
2011-AT-002	Ohio Revised Code Section 5705.40 requires timely modifications for amending and supplementing appropriations.	Yes	N/A
2011-AT-003	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	Yes	N/A
2011-AT-004	Ohio Rev. Code Sections 4115.04 and 4115.05 pertain to prevailing wage rates in public works contracts.	Yes	N/A



Dave Yost • Auditor of State

AUBURN TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 4, 2013**