

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2024

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 6 and 11 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 for and reports the receipt of property tax, intergovernmental and miscellaneous monies restricted for the construction, maintenance and repair of the Township’s roads and bridges.

Special Levy Fire Department Fund The special levy fire department fund accounts for and reports the receipt of property tax, intergovernmental, earnings on investment and miscellaneous monies restricted for the purpose of providing fire and EMS services to the citizens of the Township and surrounding Townships through mutual aid agreements.

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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:

Miscellaneous Capital Projects Fund The miscellaneous capital projects fund accounts for and reports the receipt of intergovernmental monies restricted for the purpose of various capital projects.

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.

A summary of 2024 budgetary activity appears in Note 3.

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Note 2 – Summary of Significant Accounting Policies (continued)

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 Townships 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

District employees earn sick and vacation time that can be used for time off. In certain circumstances, such as upon leaving employment or retirement, 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.

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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, 2024 follows:

2024 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 742,929	\$ 785,627	\$ 42,698
Special Revenue	3,300,520	3,411,260	110,740
Debt Service	214,688	214,688	-
Capital Projects	87,000	85,316	(1,684)

2024 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 947,735	\$ 747,461	\$ 200,274
Special Revenue	3,689,943	2,685,137	1,004,806
Debt Service	214,688	214,688	-
Capital Projects	-	-	-

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Note 4 – Deposits and Investments

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

	2024
Demand deposits	<u>\$ 472,661</u>
Total deposits	472,661
STAR Ohio	<u>2,182,522</u>
Total investments	<u>2,182,522</u>
Total deposits and investments	<u><u>\$2,655,194</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, 2024, the Township is holding \$5,271 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.

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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 (latest information available):

	<u>2023</u>
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, 2024.

Social Security

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

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, 2024.

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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 2024, 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 2024, 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, 2024, was as follows:

	Principal	Interest Rate
Township Fire Station Improvement Refunding Bonds	\$ 1,841,000	1.67%
Township Building Construction Refunding Bonds	1,544,000	1.67%
Total	\$ 3,385,000	

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 states the amount to be returned is \$751,042, which will be distributed to its residents or future tax settlements will be reduced. No repayment plan has been finalized. A final resolution to this matter has not yet been determined.

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Note 9 – Debt (continued)

Amortization

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

Year Ending December 31:	General Obligation Bonds
2025	\$ 217,160
2026	221,552
2027	222,832
2028	226,048
2029	230,168
2030-2034	1,198,992
2035-2039	1,293,896
2040-2044	272,288
Total	<u>\$ 3,882,936</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.

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor. 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 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 and Districts. 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 2024, 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.

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 balance of this amount was as followed:

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Note 12 – Fund Balances (continued)

Fund Balances	Special Revenue
Outstanding Encumbrances	\$ 10,177

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 would be considered assigned.

Note 13 – Restatement of Fund Balances

The Township increased their beginning fund cash position at January 1, 2024 in the General and Special Revenue funds due to voided checks. The effect of the adjustments on beginning fund cash balance is reflected in the chart below.

	12/31/2023 as Previously Recorded	Adjustment	1/1/2024 as Restated
Governmental Funds			
General Fund	\$ 274,485	\$ 490	\$ 274,975
Special Revenue Funds	1,403,476	7	1,403,483
Capital Projects Funds	116,954	-	116,954
Total Governmental Funds	\$ 1,794,915	\$ 497	\$ 1,795,412