



Dave Yost • Auditor of State

**COPLEY TOWNSHIP
SUMMIT COUNTY
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Fiduciary Fund Types - For the Year Ended December 31, 2017	4
Notes to the Financial Statements for the Year Ended December 31, 2017.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2016	14
Notes to the Financial Statements for the Year Ended December 31, 2016	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Copley Township
Summit County
1540 S. Cleveland-Massillon Road
Copley, Ohio 44321

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Copley Township, Summit County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial 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 the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, the 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial 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 the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Copley Township, Summit County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 19, 2018

Copley Township
Summit County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$1,094,504	\$6,688,558				\$7,783,062
Charges for Services		513,970				513,970
Licenses, Permits and Fees	131,682	63,075				194,757
Fines and Forfeitures	10,178	7,442				17,620
Intergovernmental	580,272	719,635				1,299,907
Special Assessments	7,457					7,457
Earnings on Investments	6,520	24			\$115	6,659
Miscellaneous	51,291	239,261				290,552
<i>Total Cash Receipts</i>	<u>1,881,904</u>	<u>8,231,965</u>	<u>\$0</u>	<u>\$0</u>	<u>115</u>	<u>10,113,984</u>
Cash Disbursements						
Current:						
General Government	1,564,729	28,613				1,593,342
Public Safety	607,443	6,556,906				7,164,349
Public Works	2,347	1,198,060				1,200,407
Health	174,766	44,688				219,454
Human Services				6,229		6,229
Conservation-Recreation	71,953					71,953
Capital Outlay	473,348	231,639		629		705,616
<i>Total Cash Disbursements</i>	<u>2,894,586</u>	<u>8,059,906</u>	<u>0</u>	<u>6,858</u>	<u>0</u>	<u>10,961,350</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,012,682)</u>	<u>172,059</u>	<u>0</u>	<u>(6,858)</u>	<u>115</u>	<u>(847,366)</u>
Other Financing Receipts (Disbursements)						
Advances In	24,149	256,923				281,072
Advances Out	(256,923)	(24,149)				(281,072)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(232,774)</u>	<u>232,774</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(1,245,456)</u>	<u>404,833</u>	<u>0</u>	<u>(6,858)</u>	<u>115</u>	<u>(847,366)</u>
<i>Fund Cash Balances, January 1</i>	<u>4,136,076</u>	<u>3,890,723</u>	<u>176,332</u>	<u>1,747,219</u>	<u>18,465</u>	<u>9,968,815</u>
Fund Cash Balances, December 31						
Nonspendable	3,765				17,015	20,780
Restricted		4,206,099	176,332	1,740,361	1,565	6,124,357
Committed		9,925				9,925
Assigned	2,625,990	79,532				2,705,522
Unassigned (Deficit)	260,865					260,865
<i>Fund Cash Balances, December 31</i>	<u>\$2,890,620</u>	<u>\$4,295,556</u>	<u>\$176,332</u>	<u>\$1,740,361</u>	<u>\$18,580</u>	<u>\$9,121,449</u>

See accompanying notes to the basic financial statements

Combined Statement of Receipts, Disbursements
Copley Township
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2017

	<u>Agency</u>
Operating Cash Receipts	
Licenses, Permits and Fees	\$52,000
Miscellaneous	<u>17,993</u>
<i>Total Operating Cash Receipts</i>	<u>69,993</u>
Operating Cash Disbursements	
Claims	86,799
Deposits Returned	<u>14,497</u>
<i>Total Operating Cash Disbursements</i>	<u>101,296</u>
<i>Operating Income (Loss)</i>	<u>(31,303)</u>
<i>Fund Cash Balances, January 1</i>	<u>140,781</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$109,478</u></u>
<i>See accompanying notes to the basic financial statements</i>	

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Copley Township, Summit County, as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pool

The Township participates in one jointly governed organization, two joint ventures one Public Entity Risk Pool and one component unit Notes 11-13 to the financial statements provides 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 financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are 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 Fund:

Road and Bridge Fund – This fund received property tax money for constructing, maintaining and repairing Township roads and bridges.

Police District Fund – This fund received property tax money to operate and maintain the Township’s Police Department.

Fire District Fund – This fund received property tax money to operate and maintain the Township’s Fire Department.

Ambulance Fund – this fund received fees charged for ambulance runs to operate and maintain the Township’s Fire/EMT Department.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Gas Tax Fund – The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of road with the Township.

Motor Vehicle License Tax Fund – The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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.

Bond Retirement Fund – This fund is used to accumulate resources for the principal and interest on the Township’s debt. The Township had no debt in 2017.

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 or capital facilities and other capital assets. The Township had the following significant project fund:

Sewer/Water Improvement Fund – This fund was used to account for money received from the JEDD and used for sewer/water improvement projects from 2005-2015. The Township Trustees rescinded the former resolution on March 16, 2016 and adopted a new resolution the allowing the money collected to date to remain in the fund for the original purpose. Subsequent revenue received was placed in the General Fund to be used for the general improvement of the Township.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, are not principal, may be used for purposes that support the reporting government’s programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Grace B. Mitchell Cemetery Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township’s cemetery.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township’s own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township’s agency funds account for road and culvert deposit fees, construction bonds, fire claims – insurance escrow amounts, and donations collected by committees for community events.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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 (D) 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 appropriation 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 re-appropriated.

A summary of 2017 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.

Capital Assets

The Township records disbursement 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.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

Non-spendable The Township classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is restricted when constraints placed on the use or resources are either externally imposed by creditors (such as through debt covenant's), grantors, contributors, or laws or regulations of other government, 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 incorporated contractual obligation 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*. Government 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, or by State Statute.

Unassigned Unassigned fund balance is the residual classification from 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.

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Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,830,765	\$1,881,904	\$51,139
Special Revenue	8,182,483	8,231,965	49,482
Permanent	15	115	100
Agency	<u>83,672</u>	<u>69,993</u>	<u>(13,679)</u>
	<u>\$10,096,935</u>	<u>\$10,183,977</u>	<u>\$87,042</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$4,453,936	\$3,352,571	\$1,101,365
Special Revenue	10,326,379	9,142,811	1,183,568
Capital Projects	1,747,219	6,858	1,740,361
Permanent	1,400	0	1,400
Agency	<u>163,611</u>	<u>101,296</u>	<u>62,315</u>
Total	<u>\$16,692,545</u>	<u>\$12,603,536</u>	<u>\$4,089,009</u>

Note 4 – Deposits and Investments

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

	2017
Demand Deposits	(\$159,789)
Certificate of Deposits	0
Other Time deposits (savings and NOW accounts)	<u>\$3,617,926</u>
Total Deposits	\$3,458,137
Repurchase Agreement	<u>\$5,772,790</u>
Total Investments	\$5,772,790
Total Deposits and Investments	\$9,230,927

At December 31, 2017, the Township held zero (\$0) in equity securities. Equity securities are not eligible investments for the Township under Ohio law.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (Continued)

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS).

At December 31 2016, \$0 deposits were not insured or collateralized, contrary to Ohio Law.

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 homestead and roll back deductions. The financial statement 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 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.

Note 6 - Interfund Balances

Outstanding advances at December 2017 consisted of \$256,923 advanced to Special Revenue Funds to provide working capital for operations or projects. The Recycling Grant Fund received \$17,304, the EMS Fund received \$235,669, and the EMS Training Grant Fund received \$3,950 from the General Fund.

Note 7 - Risk Management

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, if material.

Commercial Insurance

The Township has obtained commercial insurance for the following risk.

- Comprehensive property and general liability
- Vehicles; and
- Errors and Omissions

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The Ohio Revised code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members who are not Law Enforcement Professionals contributed 10%, of their gross salaries and the Township contributed an amount equaling 14% of participants gross salaries. OPERS members who are Law Enforcement Professionals contributed 13% and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% percent of full-time firefighters' wages. The Township has paid all contributions required by December 31, 2017.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participant's gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 9 - Post-Employment Benefits

Both OPERS and OP&F offer 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 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these balances.

Note 10 - Contingent Liabilities

The Township is party to legal proceedings. 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.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 - Joint Ventures

The Township jointly operates a fire station with Bath Township. The Township is responsible for 50% of payroll and operating costs for the station.

In 2014, the Southwest Summit Council of Governments began independent operations as a Joint Dispatch Center (SWSCOM) for Copley Township and the Cities of Norton and Barberton. The Township participates in the Southwest Summit Council of Governments (SWSCOG) which is a statutorily created political subdivision of the State. The Council is a joint venture between Copley Township, the City of Norton, and the City of Barberton. The Council is controlled by an executive board which is composed of a President, Vice President/Secretary, and Fiscal Officer who serve without compensation. Each member's control over the operation of the Council is limited to its representation on the board. Currently, the Board President of Copley Township serves as the Fiscal Officer and a Board of Director of the Council. The Council was formed to share services, promote cooperative arrangements, and coordinate action among its members in matters relating to public safety dispatch operations. The Council may also, at its discretion, promote cooperative agreements and contracts among its members or other governmental agencies and private persons, corporations, or agencies. Continued existence of the Council is dependent on the Township's continued participation; however, the Township does not have an equity interest in the Council. The Council is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the Township. In 2016, the Township contributed \$685,400 to the Council for dispatch and information technology services. Complete financial statements can be obtained from the Southwest Summit Council of Governments, Summit County, Ohio.

Note 12 – Public Risk Pool

The Township participates in the Ohio Township Association 42 Group Rating Program for Worker's Compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Copley Township

Summit County, Ohio

**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$1,102,675	\$6,690,842				\$7,793,517
Charges for Services		518,333				518,333
Licenses, Permits and Fees	140,177	38,358				178,535
Fines and Forfeitures	12,998	22,344				35,342
Intergovernmental	585,012	640,404				1,225,416
Special Assessments	642					642
Earnings on Investments	7,037	109			\$46	7,192
Miscellaneous	50,039	109,951				159,990
Total Cash Receipts	1,898,580	8,020,341	\$0	\$0	46	9,918,967
Cash Disbursements						
Current:						
General Government	1,472,382	46,405				1,518,787
Public Safety	550,069	6,519,909				7,069,978
Public Works	424	1,515,839				1,516,263
Health	175,877	42,652				218,529
Conservation-Recreation	104,469					104,469
Capital Outlay	346,446	660,453				1,006,899
Total Cash Disbursements	2,649,667	8,785,258	0	0	0	11,434,925
Excess of Receipts Over (Under) Disbursements	(751,087)	(764,917)	0	0	46	(1,515,958)
Other Financing Receipts (Disbursements)						
Advances In	14,297	18,649				32,946
Advances Out	(18,649)	(14,297)				(32,946)
Total Other Financing Receipts (Disbursements)	(4,352)	4,352	0	0	0	0
Net Change in Fund Cash Balances	(755,439)	(760,565)	0	0	46	(1,515,958)
Fund Cash Balances, January 1	4,891,515	4,651,288	176,332	1,747,219	18,419	11,484,773
Fund Cash Balances, December 31						
Nonspendable	3,765				17,015	20,780
Restricted		3,835,209	176,332	1,747,219	1,450	5,760,210
Committed		27,762				27,762
Assigned	2,619,105	27,752				2,646,857
Unassigned (Deficit)	1,513,206					1,513,206
Fund Cash Balances, December 31	\$4,136,076	\$3,890,723	\$176,332	\$1,747,219	\$18,465	\$9,968,815

See accompanying notes to the basic financial statements

Combined Statement of Receipts, Disbursements
Copley Township
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2016

	<u>Agency</u>
Operating Cash Receipts	
Licenses, Permits and Fees	\$54,400
Fire Claims	38,799
Miscellaneous	<u>15,887</u>
<i>Total Operating Cash Receipts</i>	<u>109,086</u>
Operating Cash Disbursements	
Deposits Returned	18,400
Other	<u>14,573</u>
<i>Total Operating Cash Disbursements</i>	<u>32,973</u>
<i>Operating Income (Loss)</i>	<u>76,113</u>
<i>Fund Cash Balances, January 1</i>	<u>64,668</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$140,781</u></u>
<i>See accompanying notes to the basic financial statements</i>	

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Copley Township, Summit County, as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pool

The Township participates in one jointly governed organization, two joint ventures, one Public Entity Risk Pool and one component unit. Notes 11-12 to the financial statements provides 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 financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are 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 Fund:

Road and Bridge Fund – This fund received property tax money for constructing, maintaining and repairing Township roads and bridges.

Police District Fund – This fund received property tax money to operate and maintain the Township's Police Department.

Fire District Fund – This fund received property tax money to operate and maintain the Township's Fire Department.

Ambulance Fund – This fund received fees charged for ambulance runs to operate and maintain the Township's Fire/EMT Department.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Gas Tax Fund – The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of road with the Township.

Motor Vehicle License Tax Fund – The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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.

Bond Retirement Fund – This fund is used to accumulate resources for the principal and interest on the Township’s debt. The Township had no debt in 2017

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 or capital facilities and other capital assets. The Township had the following significant project fund:

Sewer/Water Improvement Fund – This fund was used to account for money received from the JEDD and used for sewer/water improvement projects from 2005-2015. The Township Trustees rescinded the former resolution on March 16, 2016 and adopted a new resolution the allowing the money collected to date to remain in the fund for the original purpose. Subsequent revenue received was placed in the General Fund to be used for the general improvement of the Township.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, are not principal, may be used for purposes that support the reporting government’s programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Grace B. Mitchell Cemetery Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township’s cemetery.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township’s own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township’s agency funds account for road and culvert deposit fees, construction bonds, fire claims – insurance escrow amounts, and donations collected by committees for community charitable events.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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 (D) 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 appropriation 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 re-appropriated.

A summary of 2017 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.

Capital Assets

The Township records disbursement 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.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

Non-spendable The Township classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is restricted when constraints placed on the use or resources are either externally imposed by creditors (such as through debt covenant's), grantors, contributors, or laws or regulations of other government, 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 incorporated contractual obligation 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*. Government 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, or by State Statute.

Unassigned Unassigned fund balance is the residual classification from 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.

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Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,785,567	\$1,898,580	\$113,013
Special Revenue	7,787,190	8,020,341	233,151
Permanent	35	46	11
Agency	<u>51,875</u>	<u>109,086</u>	<u>57,211</u>
	<u>\$9,624,667</u>	<u>\$10,028,053</u>	<u>\$403,386</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$3,723,871	\$3,012,939	\$1,710,932
Special Revenue	10,054,254	9,213,865	840,389
Capital Projects	1,000,246	0	1,000,246
Permanent	<u>1400</u>	<u>0</u>	<u>1400</u>
Total	<u>\$14,813,203</u>	<u>\$12,259,777</u>	<u>\$2,553,426</u>

Note 4 – Deposits and Investments

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

	2016
Demand Deposits	(\$256,357)
Certificate of Deposits	18,468
Other Time deposits (savings and NOW accounts	3,612,489
Total Deposits	3,374,599
Repurchase Agreement	6,735,000
Total Investments	6,735,000
Total Deposits and Investments	\$10,109,599

At December 31, 2016, the Township held zero (\$0) in equity securities. Equity securities are not eligible investments for the Township under Ohio law.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments (Continued)

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions' public entity deposit pool.

At December 31 2016, \$0 deposits were not insured or collateralized, contrary to Ohio Law.

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 homestead and roll back deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payment 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 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.

Note 6 - Interfund Balances

Outstanding advances at December 2016 consisted of \$18,649 advanced to Special Revenue Funds to provide working capital for operations or projects. The Recycling Grant Fund received \$13,899 and the EMS Training Grant received \$4,750 from the General Fund.

Note 7 - Risk Management

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, if material.

Commercial Insurance

The Township has obtained commercial insurance for the following risk.

- Comprehensive property and general liability
- Vehicles; and
- Errors and Omissions

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The Ohio Revised code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members who are not Law Enforcement Professionals contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants gross salaries. OPERS members who are Law Enforcement Professionals contributed 13% and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% percent of full-time firefighter's wages. The Township has paid all contributions required by December 31, 2016.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participant's gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 9 - Post-Employment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription dry 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 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these balances.

Note 10 - Contingent Liabilities

The Township is party to legal proceedings. 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.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 - Joint Ventures

The Township jointly operates a fire station with Bath Township. The Township is responsible for 50% of payroll and operating costs for the station.

In 2014, the Southwest Summit Council of Governments began independent operations as a Joint Dispatch Center (SWSCOM) for Copley Township and the Cities of Norton and Barberton. The Township participates in the Southwest Summit Council of Governments (SWSCOG) which is a statutorily created political subdivision of the State. The Council is a joint venture between Copley Township, the City of Norton, and the City of Barberton. The Council is controlled by an executive board which is composed of a President, Vice President/Secretary, and Fiscal Officer who serve without compensation. Each member's control over the operation of the Council is limited to its representation on the board. Currently, the Board President of Copley Township serves as the Fiscal Officer and a Board of Director of the Council. The Council was formed to share services, promote cooperative arrangements, and coordinate action among its members in matters relating to public safety dispatch operations. The Council may also, at its discretion, promote cooperative agreements and contracts among its members or other governmental agencies and private persons, corporations, or agencies. Continued existence of the Council is dependent on the Township's continued participation; however, the Township does not have an equity interest in the Council. The Council is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the Township. In 2016, the Township contributed \$685,400 to the Council for dispatch and information technology services. Complete financial statements can be obtained from the Southwest Summit Council of Governments, Summit County, Ohio.

Note 12 – Public Risk Pool

The Township participates in the Ohio Township Association 42 Group Rating Program for Worker's Compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.



Dave Yost • Auditor of State

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

Copley Township
Summit County
1540 S. Cleveland-Massillon Road
Copley, Ohio 44321

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 cash balances, receipts, and disbursements by fund type of the Copley Township, Summit County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated September 19, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 19, 2018



Dave Yost • Auditor of State

COPLEY TOWNSHIP

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 9, 2018**



Dave Yost • Auditor of State

MANAGEMENT LETTER

Copley Hills Township
Summit County
1540 S. Cleveland-Massillon Road
Copley, Ohio 44321

To the Board of Trustees:

We have audited the financial statements of Copley Township, Summit County, Ohio (the Township) in accordance with *Government Auditing Standards*, as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated September 19, 2018.

Government Auditing Standards require us to report significant internal control deficiencies, fraud (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated September 19, 2018, for the years ended December 31, 2017 and 2016.

We are also submitting the following comments for your consideration regarding the Township's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the *Government Auditing Standards* report. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. These comments reflect our continuing desire to assist your Township but are only a result of audit procedures performed based on risk assessment procedures and not all deficiencies or weaknesses in controls may have been identified. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

Noncompliance Findings

1. Ohio Rev. Code § 507.09 -Underpayment of Employees

Ohio Rev. Code § 507.09 provides, in part, in calendar year 2016, in townships having a budget of more than \$10,000,000, the township fiscal officer shall be entitled to compensation of \$29,585. In calendar year 2017, the compensation shall be increased by five percent.

In 2017, the Fiscal Officer was paid at the 2016 annual rate of \$29,585. However, since she was appointed after September 29, 2015, she was entitled to the five percent 2017 increase (or \$31,064). As a result, the Fiscal Officer was underpaid \$1,479 in 2017.

In additions, while testing the 2016 payroll for one Full Time Police Officer, noted his pay rate for Officer in Charge (O.I.C) was improperly calculated at the 2014 rate of \$35.39. This improper rate was used in the calculation of his O.I.C. pay until May of 2016 when it was updated to the proper pay rate. As a result, the employee was underpaid \$132 in 2016.

Noncompliance Findings (Continued)

The Township should establish procedures that include the review of employee pay rates to help ensure employees are paid the proper amount and errors are timely detected.

2. Ohio Rev. Code § 135.14(E) - Repurchase Agreements

Ohio Rev. Code § 135.14(E) provides that the treasurer or governing board may enter into a written repurchase agreement with any eligible institution mentioned in section 135.03 of the Revised Code or any eligible dealer pursuant to division (M) of this section, under the terms of which agreement the treasurer or governing board purchases, and such institution or dealer agrees unconditionally to repurchase any of the securities listed in divisions (D)(1) to (5), except letters of credit described in division (D)(2), of section 135.18 of the Revised Code. The market value of securities subject to an overnight written repurchase agreement must exceed the principal value of the overnight written repurchase agreement by at least two percent.

For four out of seven days tested, the market value did not exceed the principal value of securities by at least two percent as required. In addition, from March 2017 to December 2017, the Township did not receive or maintain the daily sweep statements and was unable to access them online. Therefore, it was not possible to determine if the market value exceeded the principal value by at least 2 percent during that time.

The Township should monitor its sweep repurchase agreements daily to help ensure the market values of securities always exceed principal values by at least two percent. In addition, the Township should maintain the daily sweep statements.

3. Ohio Rev. Code § 5705.41(D) – Blanket Certificates

Ohio Rev. Code § 5705.41 (D) states, in part, that Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account 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.

Although the Township used "blanket" certificates during the audit period, the Township did not have a legislatively approved dollar amount for "blanket" purchase orders. Additionally, the Township had more than one "blanket" purchase outstanding against specific line item accounts during a fiscal year and not all "blanket" purchase orders were closed by the end of the fiscal year.

The Board of Trustees should approve a resolution that clearly states the approved dollar amount for "blanket" purchase orders not to exceed. In addition, the Township should develop procedures to help ensure only one "blanket" certificate is outstanding at one particular time for any particular line item appropriation and all "blanket" purchase orders are closed at year end.

Noncompliance Findings (Continued)

4. Ohio Rev. Code § 2925.03 (F)(1) - Drug Law Enforcement Fund

Ohio Rev. Code § 2925.03 (F)(1) requires the clerk of a court to pay any mandatory fine imposed pursuant to division (D)(1) of this section and any fine other than a mandatory fine imposed for a violation of this section pursuant to division (A) or (B)(5) of section 2929.18 of the Revised Code to the county, township, municipal corporation, park district, as created pursuant to section 511.18 or 1545.04 of the Revised Code, or state law enforcement agencies in this state that were primarily responsible for or involved in making the arrest of, and in prosecuting, the offender. However, the clerk shall not pay a mandatory fine so imposed to a law enforcement agency unless the agency has adopted a written internal control policy under division (F)(2) of this section that addresses the use of the fine moneys that it receives. Each agency shall use the mandatory fines so paid to subsidize the agency's law enforcement efforts that pertain to drug offenses, in accordance with the written internal control policy adopted by the recipient agency under division (F)(2) of this section.

The Township did not have the required written internal control policy regarding the Law Enforcement Trust Fund or the Drug Law Enforcement Fund.

The Township should adopt the required written internal control policy in order to address the allowable expenditures for the Law Enforcement Trust Fund and the Drug Law Enforcement Fund.

5. Ohio Rev. Code § 5735.27 - Motor Fuel Tax

Ohio Rev. Code § 5735.27 requires that any motor fuel tax received by an entity should be posted into the gasoline tax fund.

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township improperly posted the November 2017 Motor Fuel Tax of \$11,562 to the General Fund-Local Government Distribution Account instead of the Special Revenue Gasoline Tax Fund-Gasoline Tax Account. As a result, the General Fund Intergovernmental Receipts were overstatement and the Special Revenue Gasoline Tax Fund Intergovernmental receipts were understatement on the year-end financial statement.

The financial statements and Township accounting records were subsequent adjusted to reflect the proper amounts.

The Township should develop procedures to help ensure receipts are posted to the proper fund and account.

Noncompliance Findings (Continued)

6. Ohio Rev. Code § 9.38 - Timely Deposit of Receipts

Ohio Rev. Code § 9.38 provides that public money must be deposited with the Treasurer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

Three out of eight (37.5%) of the 2016 Miscellaneous receipts and one out of ten (10%) of the 2017 Miscellaneous receipts tested were deposited two to four business days following the day of receipt, and the Township had not adopted a policy permitting receipts to be deposited later than one business day.

The Township should monitor deposits to help ensure timely depositing in accordance with Ohio Rev. Code Section § 9.38.

7. Ohio Rev. Code § 135.14(O)(1) - Signed Investment Policy

Ohio Rev. Code § 135.14(O)(1) states "All brokers, dealers, and financial institutions, described in division (M)(1) of this section, executing transactions initiated by the treasurer or governing board, having read the policy's contents, shall sign the investment policy thereby acknowledging their comprehension and receipt."

The Township's bank changed from First Merit Bank to Huntington National Bank in 2017 due to the merger between the two banks. However, the Township did not present the Township's investment policy to Huntington National Bank to review and sign as required by the Ohio Rev. Code section.

The Township should present the Board approved investment policy to each financial institution that conducts investment business for the Township, and obtain signed acknowledgment of the requirements of the Township's investment policy.

Recommendations

1. Segregation of Duties

Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected.

Proper segregation of duties is not possible when only one or two people handle all four aspects of the internal control cycle, (record keeping, authorization, custody and reconciliation.) The Township relies on one employee, the Assistant To Fiscal Officer, to process payroll and review the payroll summary reports.

This lack of segregation of duties might lead to fraud, theft, or errors going undetected.

Recommendations (Continued)

Due to the size of the Township, segregating every function may not be financially feasible, however, careful consideration of which functions needs to be separated should be completed. Township Trustees should review procedures and controls to ensure proper segregation of duties.

Implementation of additional procedures and segregation of duties may help strengthen internal control over the entire financial reporting cycle and help create a culture of accountability and assist in protecting the Township from unnecessary loss and errors.

2. Financial Statement Preparation Internal Controls

In our audit engagement letter, as required by **AU-C Section 210, Terms of Engagement**, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, clarifies the existing Governmental Fund Type Definitions (§§29-§35) and allows for five types of fund balance classifications which include nonspendable, restricted, committed, assigned and unassigned (§6-§17). For additional information and guidance refer to the Auditor of State Bulletin 2011-004.

GASB 54 § 13 further provides amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance, except for stabilization arrangements, as discussed in § 21. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

GASB 54 § 16 provides appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. As discussed in paragraph 15, assignments should not cause a deficit in unassigned fund balance to occur.

The following exceptions were noted resulting in adjustments to the financial statements to reflect the proper reporting indicating a deficiency in the design, implementation and maintenance of internal control relevant to preparing and fairly presenting financial statements.

Fund Type Classifications

The Township maintains several Special Revenue funds including the Garbage & Waste Disposal, Senior Activity, ODNR-Pigeon Creek Sweep Project, Hidden in Plain Sight, Citizen's Police Academy, and Property Maintenance Code funds and a Capital Projects fund, COSE Ditching Program fund, that have had little to no activity for several years and for which the purpose for which they were originally established may possibly no longer exist. This may indicate the possibility these funds no longer warrant the need for separate fund classification.

Recommendations (Continued)

During 2016, the Township improperly included the Garbage and Waste Disposal District, Senior Activity Fund, ODNR-Pigeon Creek Sweep Project, Hidden in Plain Sight, Citizen's Police Academy, and COSE Ditching Program funds within the General Fund of \$10,882 on fund balance (\$10,647 and \$235 on fund balance in the Special Revenue and Capital Projects funds, respectively).

During 2017, the Township improperly included the Senior Activity Fund, ODNR-Pigeon Creek Sweep Project, Hidden in Plain Sight, Citizen's Police Academy, and Property Maintenance Code funds within the General Fund of \$23,002 on fund balance (\$23,002 on fund balance in the Special Revenue fund).

In addition, during 2017 and 2016, the Township improperly included the Unclaimed Monies Fund of \$3,765 within the Agency Fund.

Fund Balance Classifications

For 2017 and 2016, the General Fund outstanding encumbrances of \$457,985 and \$363,272, respectively, were improperly reported as Unassigned-Fund Balance rather than Assigned-Fund Balance, and, for 2017 and 2016, the Permanent Fund trust agreement principal amount of \$17,015 was improperly reported as Restricted-Fund Balance rather than Nonspendable-Fund Balance.

For 2017 and 2016, the General Fund Assigned-Fund Balance did not properly report the subsequent year's budget at year-end. Since the 2018 appropriations (\$3,637,266) exceeded the estimated resources (\$1,469,261) by \$2,168,005 (at 2017 year-end), and the 2017 appropriations (\$4,086,599) exceeded the estimated resources (\$1,830,766) by \$2,255,833 (at 2016 year-end), the Assigned-Fund Balance should have been increased and the Unassigned-Fund Balance should have been decreased in accordance with the provisions of GASB 54 ¶ 16.

Proper Recording of Investment Interest

In 2017, the Township erroneously posted investment income in the amount of \$92 for the Mitchell Estate Trust into the General Fund instead of the Mitchell Estate Trust Permanent Fund. This resulted in an understatement of Earnings on Investments in the Permanent Fund and an overstatement in the General Fund indicating a deficiency in the design, implementation and maintenance of internal control relevant to preparing and fairly presenting the financial statements. The financial statements and Township accounting records were subsequent adjusted to reflect the proper amounts.

Debt Service Fund

The Township has a debt service fund for the purpose of accounting for the issuance of Special Assessment Bonds for street improvements in 1994 and retired this debt during 2014. The 2017 and 2016 financial statements reflected a cash fund balance of \$176,332 with no activity.

Recommendations (Continued)

Classification of Agency Fund Activity

The Township's agency funds account for monies collected for road and culvert deposit fees, fire claims - insurance escrow and community charitable events. In 2016, the Township received fire claims - insurance escrow receipts of \$38,799 and charitable donations of \$25 for a total of \$38,824, which were recorded as Non-Operating Miscellaneous Receipts within the Hinkle System Report for December 31, 2016.

However, since the receipts represented operating activity the receipts should have been recorded as Operating Cash Receipts – Fire Claims and Miscellaneous, respectively. In addition, although the cash disbursements (deposits returned) of and \$101,619 and \$32,973 for 2017 and 2016, respectively, were properly reported as Operating Disbursement - Other account, the account is not descriptive to allow a reader of the financial statements to understand the nature of the disbursement. As a result, \$86,799 and \$18,400 of the Operating Disbursements – Other accounts were reclassified as Deposits Returned.

The accompanying financial statements were corrected to reflect the aforementioned activity.

To improve internal controls over the preparation and fair presentation of Township financial statements; the Township should review GASB 54 and AoS Bulletin 2011-004 to help ensure all funds and fund balances are properly classified, including year-end encumbrances and the subsequent fiscal year appropriations and estimated resources within the General Fund.

The Township should analyze the activity of the funds that have little to no activity for several years to determine whether separate fund classification is still warranted.

The Township should develop procedures to help ensure all receipt activities are properly recorded in the Township's accounting system and subsequently on the Financial Statements. The Township's accounting system was subsequently corrected.

As the purpose of this fund is no longer valid, the Township should investigate the source of the money and determine if the money belongs to the Township or to respective special assessment property owners. If the money belongs to the respective special assessment property owners, then the money should be disbursed accordingly. If the purpose of the fund no longer exists, the Township should close-out the fund according to Ohio Revised Code §5705 and consult with its legal counsel.

The Township should review criteria associated with the proper posting of the agency operating and non-operating agency fund activity to help ensure the financial statements are properly presented. As the purpose and primary activity of the agency fund is to account for road and culvert deposit fees, fire claims – insurance escrow and community charitable events donations, the receipts activity for the agency fund should be reported as operating receipts. All other receipts and disbursements not meeting these definitions should be reported as non-operating activity. In addition, the Township should consider a more descriptive financial statement account by either including additional terms or renaming the 'other' account on the financial statements.

We intend this report for the information and use of the Board of Trustees and management.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 19, 2018