



OHIO AUDITOR OF STATE
KEITH FABER



**COPLEY TOWNSHIP
SUMMIT COUNTY
DECEMBER 31, 2019 AND 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulator Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2019	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Fiduciary Fund Types - For the Year Ended December 31, 2019	4
Notes to the Financial Statements for the Year Ended December 31, 2019.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Fiduciary Fund Types - For the Year Ended December 31, 2018	14
Notes to the Financial Statements for the Year Ended December 31, 2018	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
Schedule of Findings.....	25

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2019 and 2018.

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, 2019 and 2018, 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, 2019 and 2018, 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 May 13, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

May 13, 2020

Copley Township, Summit County
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$1,188,822	\$7,794,577	\$0	\$0	\$0	\$8,983,399
Charges for Services	0	523,998	0	0	0	523,998
Licenses, Permits and Fees	142,166	58,369	0	0	0	200,535
Fines and Forfeitures	5,414	17,341	0	0	0	22,755
Intergovernmental	848,426	837,324	0	0	0	1,685,750
Special Assessments	31,650	0	0	0	0	31,650
Earnings on Investments	11,352	46	0	0	529	11,927
Miscellaneous	48,808	248,185	0	0	0	296,993
<i>Total Cash Receipts</i>	<u>2,276,638</u>	<u>9,479,840</u>	<u>0</u>	<u>0</u>	<u>529</u>	<u>11,757,007</u>
Cash Disbursements						
Current:						
General Government	2,181,698	51,764	0	0	0	2,233,462
Public Safety	151,195	7,510,822	0	0	0	7,662,017
Public Works	0	1,685,687	0	0	0	1,685,687
Health	174,310	44,610	0	0	1,899	220,819
Conservation-Recreation	82,183	0	0	0	0	82,183
Capital Outlay	95,631	152,724	0	0	0	248,355
Debt Service:						
Principal Retirement	0	81,970	0	0	0	81,970
Interest and Fiscal Charges	0	16,064	0	0	0	16,064
<i>Total Cash Disbursements</i>	<u>2,685,017</u>	<u>9,543,641</u>	<u>0</u>	<u>0</u>	<u>(1,370)</u>	<u>12,230,557</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(408,379)</u>	<u>(63,801)</u>	<u>0</u>	<u>0</u>	<u>(1,370)</u>	<u>(473,550)</u>
Other Financing Receipts (Disbursements)						
Advances In	17,304	20,903	0	0	0	38,207
Advances Out	(20,903)	(17,304)	0	0	0	(38,207)
Other Financing Sources	0	1,036	0	0	0	1,036
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,599)</u>	<u>4,635</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,036</u>
<i>Net Change in Fund Cash Balances</i>	<u>(411,978)</u>	<u>(59,166)</u>	<u>0</u>	<u>0</u>	<u>(1,370)</u>	<u>(472,514)</u>
<i>Fund Cash Balances, January 1</i>	<u>\$2,281,437</u>	<u>\$3,193,656</u>	<u>\$176,332</u>	<u>\$1,731,924</u>	<u>\$18,916</u>	<u>\$7,402,265</u>
Fund Cash Balances, December 31						
Nonspendable	3,765	0	0	0	17,015	20,780
Restricted	0	2,995,437	176,332	1,731,924	531	4,904,224
Committed	0	14,518	0	0	0	14,518
Assigned	1,082,463	124,535	0	0	0	1,206,998
Unassigned (Deficit)	783,231	0	0	0	0	783,231
<i>Fund Cash Balances, December 31</i>	<u>\$1,869,459</u>	<u>\$3,134,490</u>	<u>\$176,332</u>	<u>\$1,731,924</u>	<u>\$17,546</u>	<u>\$6,929,751</u>

See accompanying notes to the basic financial statements.

Copley Township, Summit County
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2019

	Custodial	Totals (Memorandum Only)
Operating Cash Receipts		
Licenses, Permits and Fees	\$24,800	23,589
Fire Claims	23,589	0
Miscellaneous	17,432	17,432
<i>Total Operating Cash Receipts</i>	65,821	65,821
 Operating Cash Disbursements		
Purchased Services	800	800
Supplies and Materials	1,464	1,464
Deposits Returned	25,600	25,600
Other	12,498	12,498
<i>Total Operating Cash Disbursements</i>	40,362	40,362
 <i>Operating Income (Loss)</i>	25,459	25,459
 <i>Fund Cash Balances, January 1</i>	\$115,889	\$115,889
 <i>Fund Cash Balances, December 31</i>	\$141,348	\$141,113

See accompanying notes to the basic financial statements.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Copley Township Summit 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, cemetery maintenance, police and fire protection and emergency medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Component Unit

The Township participates in two joint ventures, one jointly governed organization, one public entity risk pool, and one component unit. Notes 12-15 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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and 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 Funds:

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, 2019

Gas Tax Fund - The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within 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 activity in this fund during 2019.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Sewer/Water Improvement Fund – This fund was used to account for money received from JEDD and used for water/sewer improvement projects from 2005-2015. The Township Trustees rescinded the former resolution in March 16, 2016 and adopted a new resolution 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, and 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. Custodial 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 Custodial 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, 2019

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 (except certain custodial funds) 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 re-appropriated.

A summary of 2019 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 disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,078,153	\$2,276,638	\$198,485
Special Revenue	9,265,276	9,480,876	215,600
Permanent	20	529	509
Total	\$11,343,449	\$11,758,043	\$414,594

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,672,887	\$3,087,870	\$585,007
Special Revenue	10,686,621	10,170,449	513,895
Capital Projects	1,731,689	0	1,731,689
Permanent	1,900	1,899	1
Total	\$16,093,097	\$13,262,505	\$2,830,592

Note 4 – Deposits

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

	2019
Demand deposits	\$3,415,394
Certificates of deposit	18,638
Other time deposits (savings and NOW accounts)	3,637,067
Total deposits	\$7,071,099

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized through the Ohio Pooled Collateral System (OPCS). At December 31, 2019, \$1,671,286 of deposits were not insured or collateralized.

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.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Interfund Balances

Outstanding advances at December 31, 2019, consisted of \$209,438 advanced to Special Revenue Funds to provide working capital for operations or projects. The General Fund advanced \$235,669 to the Fire/EMS Fund on December 13, 2017 to be repaid in five annual installments, and at the end of 2019, the outstanding balance was \$141,401. The Township plans to review the 2020 Fire/EMS Fund budget and determine if the advance can be repaid in total in 2020. In addition, the 2019 Fire/EMS Training Grant received \$3,599, and the reworks Reimbursable Grant received \$17,304 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.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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 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. 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, 2019.

Ohio Police and Fire Retirement System

Township's certified Fire Fighters belong to the Ohio 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 health care 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% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2019.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Social Security

Some Township’s 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, 2019.

Note 9 – Postemployment 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 0% during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0% during calendar year 2019. OP&F contributes 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Leases

The Township leases a water tender truck a non-cancelable lease. The Township disbursed \$98,034 (principal of \$81,970 and interest of \$16,064) to pay lease cost for the year ended December 31, 2019.

Amortization

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

Year Ending December 31	Lease
2019	\$98,034
2020	\$98,034
2021	\$98,034
2022	\$98,034
2023	\$98,034
Total	\$392,136

Note 11 Contingent Liabilities

The Township is party to legal proceedings. Although management cannot presently determine the outcome of the 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, 2019

Note 12 – Joint Ventures

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

The Township participates in the Southwest Summit Counsel of Governments (the Council) 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 of the board. Currently, the Board Vice 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, corporation, 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 2019, the Township contributed \$682,820 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 13 – Jointly Governed Organization

The Township is a member of a Joint Economic Development District (JEDD) with the City of Akron. The City of Akron provides water service to businesses located within the JEDD while the JEDD is required to collect payroll withholding tax from those businesses. At the same time, the JEDD prevents annexation of Township property by another city and maintains the Township's rural character and property tax base.

Note 14 – Public Entity 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.

Note 15 Component Unit

The Copley Community Improvement Corporation (CIC) is a not-for-profit corporation created under Chapter 1724 of the Ohio Revised Code in August 2017. The purpose of the CIC is to serve the residents of the Township in the revitalization and enhancement of property and business environment of the Township by advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Township. The CIC is a component unit of the Township, as the Township is financially accountable for the CIC under the criteria of Governmental Accounting Standards Board Statement No. 14. The Township appoints four of the eleven CIC Board of Director members and presently, a majority of the CIC funding is received from the Township. Separately issued financial statements can be obtained from the CIC, 1540 S. Cleveland Massillon Road, Copley, Ohio 44321.

Copley Township, Summit County
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$1,147,838	\$6,795,763	\$0	\$0	\$0	\$7,943,601
Charges for Services	0	522,710	0	0	0	522,710
Licenses, Permits and Fees	147,668	96,501	0	0	0	244,169
Fines and Forfeitures	9,052	1,743	0	0	0	10,795
Intergovernmental	926,854	846,448	0	0	0	1,773,302
Special Assessments	12,297	0	0	0	0	12,297
Earnings on Investments	9,560	15	0	0	336	9,911
Miscellaneous	101,558	161,414	0	0	0	262,972
<i>Total Cash Receipts</i>	<u>2,354,827</u>	<u>8,424,594</u>	<u>0</u>	<u>0</u>	<u>336</u>	<u>10,779,757</u>
Cash Disbursements						
Current:						
General Government	2,064,304	53,051	0	0	0	2,117,355
Public Safety	601,957	7,062,149	0	0	0	7,664,106
Public Works	0	1,899,700	0	0	0	1,899,700
Health	175,194	35,732	0	0	0	210,926
Conservation-Recreation	30,247	0	0	0	0	30,247
Capital Outlay	96,255	913,412	0	8,437	0	1,018,104
<i>Total Cash Disbursements</i>	<u>2,967,957</u>	<u>9,964,044</u>	<u>0</u>	<u>8,437</u>	<u>0</u>	<u>12,940,438</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(613,130)</u>	<u>(1,539,450)</u>	<u>0</u>	<u>(8,437)</u>	<u>336</u>	<u>(2,160,681)</u>
Other Financing Receipts (Disbursements)						
Inception of Lease	0	440,830	0	0	0	440,830
Transfers In	0	47,134	0	0	0	47,134
Transfers Out	(47,134)	0	0	0	0	(47,134)
Advances In	394,327	343,243	0	0	0	737,570
Advances Out	(343,243)	(394,327)	0	0	0	(737,570)
Other Financing Sources	0	670	0	0	0	670
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,950</u>	<u>437,550</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>441,500</u>
<i>Net Change in Fund Cash Balances</i>	<u>(609,180)</u>	<u>(1,101,900)</u>	<u>0</u>	<u>(8,437)</u>	<u>336</u>	<u>(1,719,181)</u>
<i>Fund Cash Balances, January 1</i>	<u>\$2,890,617</u>	<u>\$4,295,556</u>	<u>\$176,332</u>	<u>\$1,740,361</u>	<u>\$18,580</u>	<u>\$9,121,446</u>
Fund Cash Balances, December 31						
Nonspendable	3,765	0	0	0	17,015	20,780
Restricted	0	3,055,664	176,332	1,731,924	1,901	4,965,821
Committed	0	12,806	0	0	0	12,806
Assigned	2,167,087	125,186	0	0	0	2,292,273
Unassigned (Deficit)	110,585	0	0	0	0	110,585
<i>Fund Cash Balances, December 31</i>	<u>\$2,281,437</u>	<u>\$3,193,656</u>	<u>\$176,332</u>	<u>\$1,731,924</u>	<u>\$18,916</u>	<u>\$7,402,265</u>

See accompanying notes to the basic financial statements.

Copley Township, Summit County
Combined Statement of Receipts, Disbursements and
Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2018

	Agency	Totals (Memorandum Only)
Operating Cash Receipts		
Licenses, Permits and Fees	\$60,800	\$60,800
Miscellaneous	17,851	17,851
<i>Total Operating Cash Receipts</i>	78,651	78,651
Operating Cash Disbursements		
Deposits Returned	59,200	0
Other	13,165	72,365
<i>Total Operating Cash Disbursements</i>	72,365	72,365
<i>Operating Income (Loss)</i>	6,286	
Non-Operating Receipts (Disbursements)		
Miscellaneous Receipts	125	125
<i>Total Non-Operating Receipts (Disbursements)</i>	125	125
<i>Net Change in Fund Cash Balance</i>	6,411	6,411
<i>Fund Cash Balances, January 1</i>	109,478	\$109,478
<i>Fund Cash Balances, December 31</i>	\$115,889	\$115,889

See accompanying notes to the basic financial statements.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, police and fire protection and emergency medical services.

Joint Ventures, Jointly Governed Organization, Public Entity Risk Pool and Component Unit

The Township participates in two joint ventures, one jointly governed organization, one public entity risk pool, and one component unit. Notes 12-15 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's 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 Funds:

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, 2018

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within 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 activity in this fund during 2018.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

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 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, and 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 monies collected for road and culvert deposit fees, construction bonds, fire claims – insurance escrow amounts, and donations collect by committees for community events.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 (except certain agency funds) 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 re-appropriated.

A summary of 2018 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 disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 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.

-21-

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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,611,842	\$2,354,827	(\$257,015)
Special Revenue	8,601,099	8,913,228	312,129
Permanent	148	336	188
Fiduciary	73,386	78,776	5,390
Total	\$11,286,475	\$11,347,167	\$60,692

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,095,251	\$3,413,420	\$680,698
Special Revenue	10,556,032	10,308,184	248,981
Debt Service	176,332	0	176,332
Capital Projects	1,740,361	8,437	1,731,924
Total	\$16,567,976	\$13,730,041	\$2,837,935

Note 4 – Deposits and Investments

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

	2018
Demand deposits	(\$112,041)
Certificates of deposit	18,638
Other time deposits (savings and NOW accounts)	3,626,900
Total deposits	\$3,533,497
Repurchase agreement	\$3,984,657
Total investments	\$3,984,657
Total deposits and investments	\$7,518,154

At December 31, 2018, the Township held \$0 in equity securities. Equity securities are not eligible investments for the Township under Ohio law.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized through the Ohio Pooled Collateral System (OPCS). At December 31, 2018, \$0 of deposits were not insured or collateralized, contrary to Ohio law.

Note 5 – Property Taxes

Real property taxes become a lien on January 1, 2017 preceding the September 21, 2016 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due. The second half payment is due the following July 14, 2017

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.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6– Interfund Balances

Outstanding advances at December 31, 2018, consisted of \$188,535 advanced to Special Revenue Funds from General Fund to provide working capital for operations and projects. The General Fund advanced \$235,669 to the Fire/EMS Fund on December 13, 2017 to be repaid in five annual installment. In 2018, the Fire/EMS fund return advanced \$47,134 to 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.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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, 2018.

Ohio Police and Fire Retirement System

Township’s certified Fire Fighters belong to the Ohio 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 fire fighters’ wages. The Township has paid all contributions required through December 31, 2018.

Copley Township
Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Social Security

Some 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, 2018.

Note 9 – Postemployment Benefits

A portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0% during the calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in members in the member direct plan was 4.0% during the calendar year of 2018. OF&F contributes 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F is charging its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OF&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health insurance expenses.

Note 10 – Debt

Leases

The Township leases a water tender truck under a non-cancelable lease. The Township disbursed \$0 to pay lease costs for the year ended in December 31, 2018.

Amortization

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

Year Ending	<u>December 31</u>	<u>Lease</u>
2019		\$98,034
2020		98,034
2021		98,034
2022		98,034
2023		98,034
	Total	<u>\$490,170</u>

Note 11– 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, 2018

Note 12– 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.

The Township participates in the Southwest Summit Council of Governments (the Council) 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 of the board. Currently, the Board Vice 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, corporation, 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 2018, the Township contributed \$680,859 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 13– Jointly Governed Organization

The Township is a member of a Joint Economic Development District (JEDD) with the City of Akron. The City of Akron provides water service to businesses located within the JEDD while the JEDD is required to collect payroll withholding taxes from those businesses. At the same time, the JEDD prevents annexation of Township property by another City and maintains the Township's rural character and property tax base.

Note 14– Public Entity 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.

Note 15 - Component Unit

The Copley Community Improvement Corporation (CIC) is a not-for-profit corporation created under Chapter 1724 of the Ohio Revised Code in August 2017. The purpose of the CIC is to serve the residents of the Township in the revitalization and enhancement of property and business environment of the Township by advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Township. The CIC is a component unit of the Township, as the Township is financially accountable for the CIC under the criteria of Governmental Accounting Standards Board Statement No. 14. The Township appoints four of the eleven CIC Board of Director members and presently, a majority of the CIC funding is received from the Township. Separately issued financial statements can be obtained from the CIC, 1540 S. Cleveland Massillon Road, Copley, Ohio 44321.

OHIO AUDITOR OF STATE KEITH FABER



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

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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 13, 2020 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

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.



Keith Faber
Auditor of State

Columbus, Ohio

May 13, 2020

COPLEY TOWNSHIP
SUMMIT COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

Significant Deficiency - Financial Reporting

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 Township did not have procedures in place to ensure accurate and complete preparation of Township financial statements. 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 Classification

During 2019 and 2018, the Township improperly included the Unclaimed Monies Fund of \$3,765 within the Agency/Custodial Fund rather than the General Fund.

Fund Balance Classifications

For 2018, the General Fund outstanding encumbrances of \$398,329 were improperly reported as Unassigned-Fund Balance rather than Assigned-Fund Balance.

For 2018 and 2019, the General Fund Assigned-Fund Balance did not properly report the subsequent year's budget at year-end. Since the 2019 appropriations (\$3,274,558) exceeded the estimated resources (\$1,505,800) by \$1,768,758 and the 2020 appropriations (\$1,336,445) exceeded the estimated resources (\$656,835) by \$679,610, 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.

For 2018, the Special Revenue Hidden in Plain Sight, Citizen's Police Academy, and the Juvenile Diversion Grant Funds totaling \$24,081 were improperly reported as Committed-Fund Balance rather than Assigned Fund Balance for Hidden in Plain Sight and Citizen's Police Academy totaling \$11,086 and Restricted Fund Balance for Juvenile Diversion Grant totaling \$12,995.

For 2019, the Special Revenue Hidden in Plain Sight, Citizen's Police Academy, and the Juvenile Diversion Grant Funds totaling \$32,426 were improperly reported as Committed-Fund Balance rather than Assigned Fund Balance for Hidden in Plain Sight and Citizen's Police Academy totaling \$11,329 and Restricted Fund Balance for Juvenile Diversion Grant totaling \$21,097.

For 2019, the Special Revenue Halloween in the Park Grant and the Rework's Reimbursable Grant Funds totaling \$19,810 were improperly reported as Assigned-Fund Balance rather than Restricted-Fund Balance.

For 2018, the Permanent Fund trust agreement principal amount of \$17,015 was improperly reported as Restricted-Fund Balance rather than Nonspendable-Fund Balance. In addition, for 2019, the unspent investment earnings of \$531 on the Permanent Fund trust were improperly reported as Nonspendable-Fund Balance rather than Restricted-Fund Balance.

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 2019 and 2018 financial statements reflected a cash fund balance of \$176,332 with no activity.

Activity Classification of Agency/Custodial Fund

The Township's custodial funds account for monies collected for road and culvert deposit fees, construction bonds, fire claims - insurance escrow, and donations for community events. In 2019, the Township received fire claims - insurance escrow receipts of \$23,589 that were recorded as Non-Operating Miscellaneous Receipts within the Hinkle System Report for December 31, 2019. However, since the receipts represented operating activity, the receipts should have been recorded as Operating Cash Receipts – Fire Claims.

In addition, although the cash disbursements (deposits returned) of \$40,362 and \$72,365 for 2019 and 2018, respectively, were properly reported as Operating Disbursements - Other, the account is not descriptive to allow a reader of the financial statements to understand the nature of the disbursement. As a result, \$25,600 and \$59,200 of the Operating Disbursements - Other were reclassified as Deposits Returned.

Improper Recording of Lease Activity

The Township entered into a lease agreement for a water tender truck in 2018. However, the Township failed to record an Other Financing Receipt and Capital Outlay Disbursement for the entire lease principal amount of \$440,830 on the 2018 financial statements. In addition, the Township improperly recorded the 2019 lease payment of \$98,034 as a Capital Outlay Disbursement. As a result, Principal Disbursements were understated \$81,970, Interest Disbursements were understated \$16,064, and Capital Outlay Disbursements were overstated \$98,034 on the 2019 financial statements. Furthermore, the Township failed to disclose this lease activity in the 2018 and 2019 financial statement footnotes.

The accompanying financial statements and footnotes 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.

As the purpose of the debt service 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/custodial operating and non-operating agency/custodial fund activity to help ensure the financial statements are properly presented. As the purpose and primary activity of the agency/custodial fund is to account for road and culvert deposit fees, construction bonds, fire claims – insurance escrow, and donations for community events, the receipts activity for the agency/custodial 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.

The Township should establish procedures in place to ensure lease activity is properly recorded in the accounting system and reflected on the financial statements. The Township should also establish procedures to ensure the necessary disclosures are disclosed within the footnotes.

In addition, the Township should establish procedures for the preparation and fair presentation of its financial statements and footnotes. This may help ensure the Township is meeting its professional responsibilities in accordance with applicable accounting guidance and allow for more accurate analysis by the financial statement users.

Official's Response:

I was not aware of Fund classifications and will refer to the Auditor of State Bulletin 2011-004 in the future for a better understanding.

I do not prepare the budget, but agree to work closely with the Board and their Administrator.

Arrangements have been made to use the Administrative staff to make sure all ensure separation of duties; i.e. banking deposits.

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OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 2, 2020**