



OHIO AUDITOR OF STATE  
**KEITH FABER**





**BRIGHTON TOWNSHIP  
LORAIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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, 2018 .....	3
Notes to the Financial Statements for the Year Ended December 31, 2018 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2017 .....	11
Notes to the Financial Statements for the Year Ended December 31, 2017 .....	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings.....	21

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Brighton Township  
Lorain County  
21451 St Rt 511  
Wellington, Ohio 44090

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 Brighton Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

### ***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, 2018 and 2017, 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 Brighton Township, Lorain County as of December 31, 2018 and 2017, 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 30, 2019, 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

September 30, 2019

**Brighton Township**  
*Lorain 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, 2018*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$59,161	\$58,011	\$117,172
Licenses, Permits and Fees	1,100	1,225	2,325
Intergovernmental	30,368	107,367	137,735
Earnings on Investments	1,470	1,343	2,813
Miscellaneous	5,771	474	6,245
<i>Total Cash Receipts</i>	<u>97,870</u>	<u>168,420</u>	<u>266,290</u>
<b>Cash Disbursements</b>			
Current:			
General Government	100,510	0	100,510
Public Works	9,100	219,369	228,469
Health	14,061	3,627	17,688
Capital Outlay	26,988	13,976	40,964
<i>Total Cash Disbursements</i>	<u>150,659</u>	<u>236,972</u>	<u>387,631</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(52,789)</u>	<u>(68,552)</u>	<u>(121,341)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Capital Assets	0	90,993	90,993
<i>Net Change in Fund Cash Balances</i>	<u>(52,789)</u>	<u>22,441</u>	<u>(30,348)</u>
<i>Fund Cash Balances, January 1</i>	<u>239,726</u>	<u>358,280</u>	<u>598,006</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	380,721	380,721
Unassigned	186,937	0	186,937
<i>Fund Cash Balances, December 31</i>	<u>\$186,937</u>	<u>\$380,721</u>	<u>\$567,658</u>

*See accompanying notes to the basic financial statements*

**Brighton Township**  
*Lorain 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 Brighton Township, Lorain County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Wellington Fire District to provide fire services and Southern Lorain County Ambulance District to provide ambulance services.

**Jointly Governed Organizations and Public Entity Risk Pools**

The Township participates in a public entity risk pool and jointly governed organizations. Notes 6 and 9 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.

***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:

***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.

***Permissive Motor Vehicle License Tax Fund*** This fund receives local motor vehicle tax money for construction, repair and maintenance of roads within the Township.

***Road and Bridge Fund*** This fund receives property tax money for costs involved in constructing, maintaining and repairing roads and bridges within the Township.



**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

***Special Levy*** This fund receives tax money from a 1 mill levy approved by Township voters for constructing, maintaining and repairing of roads within the Township.

***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 and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and re-appropriated in the subsequent year.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value

***Capital Assets***

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

**Brighton Township**  
*Lorain 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.

***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	\$94,214	\$97,870	\$3,656
Special Revenue	173,636	259,413	85,777
Total	\$267,850	\$357,283	\$89,433

**Brighton Township**  
*Lorain 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	\$153,180	\$150,659	\$2,521
Special Revenue	204,900	236,972	(32,072)
Total	\$358,080	\$387,631	(\$29,551)

**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	\$479,618
STAR Ohio	88,040
Total deposits and investments	\$567,658

***Deposits***

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

***Investments***

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

**Note 5 – Property Taxes**

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

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

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

**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 6 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc) York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 (the latest information available).

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

<u>2018 Contributions to OTARMA</u>
\$7,378

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

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 9 – Jointly Governed Organizations**

**Rural Lorain County Water Authority (RLCWA).** RLCWA is a regional water district and political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. RLCWA was incorporated in the State of Ohio on August 23, 1973 as a public use to users within, and without, the district. RLCWA is exempt from federal income tax. The RLCWA operates under a Board of Trustees which consists of as many members as equals the total number of villages, and townships, within the regional water district.

**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

---

**Southern Lorain County Ambulance District (SLCAD).** SLCAD is an ambulance district organized pursuant to Ohio Revised Code Section 505.71 and is directed by an appointed seven-member Board of trustees representing the Village of Wellington, and Wellington, Huntington, Penfield, Rochester, Brighton and Pittsfield Townships. The SLCAA provides emergency medical services to the residents within the District which includes Brighton Township.

**Wellington Community Fire District.** The Fire District is a joint community fire district organized pursuant to Ohio Revised Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington, and Brighton, Huntington Penfield, Pittsfield and Wellington Townships. The Fire District provides fire protection and rescue services within the Fire District which includes Brighton Township.

**Lorain County General Health District.** The Health District is a joint community health district organized pursuant to Ohio Revised Code. An eight –member Board, including a Health Commissioner, govern the District which provides health services to the community including education and prevention of disease.

**Brighton Township**  
*Lorain 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	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$59,766	\$58,215	\$0	\$117,981
Licenses, Permits and Fees	1,425	1,450	0	2,875
Intergovernmental	32,445	100,199	0	132,644
Earnings on Investments	951	749	0	1,700
Miscellaneous	9,128	2,201	0	11,329
<i>Total Cash Receipts</i>	<u>103,715</u>	<u>162,814</u>	<u>0</u>	<u>266,529</u>
<b>Cash Disbursements</b>				
Current:				
General Government	97,778	0	0	97,778
Public Works	12,931	300,840	0	313,771
Health	1,559	1,718	0	3,277
Conservation-Recreation	500	0	0	500
<i>Total Cash Disbursements</i>	<u>112,768</u>	<u>302,558</u>	<u>0</u>	<u>415,326</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(9,053)</u>	<u>(139,744)</u>	<u>0</u>	<u>(148,797)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	0	87,757	0	87,757
Transfers In	68,966	0	0	68,966
Transfers Out	0	0	(68,966)	(68,966)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>68,966</u>	<u>87,757</u>	<u>(68,966)</u>	<u>87,757</u>
<i>Net Change in Fund Cash Balances</i>	59,913	(51,987)	(68,966)	(61,040)
<i>Fund Cash Balances, January 1</i>	<u>179,813</u>	<u>410,267</u>	<u>68,966</u>	<u>659,046</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	358,280	0	358,280
Assigned	18,966	0	0	18,966
Unassigned	220,760	0	0	220,760
<i>Fund Cash Balances, December 31</i>	<u>\$239,726</u>	<u>\$358,280</u>	<u>\$0</u>	<u>\$598,006</u>

*See accompanying notes to the basic financial statements*

**Brighton Township**  
*Lorain 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 Brighton Township, Lorain County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with Wellington Fire District to provide fire services and Southern Lorain County Ambulance District to provide ambulance services.

**Jointly Governed Organizations and Public Entity Risk Pools**

The Township participates in a public entity risk pool and jointly governed organizations. Notes 6 and 9 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.

***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:

***Gas Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for constructing, maintaining and repairing 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 construction, maintenance and repair of roads within the Township.

***Permissive Motor Vehicle License Tax Fund*** This fund receives local motor vehicle tax money for construction, repair and maintenance of roads within the Township.

***Road and Bridge Fund*** this fund receives property tax money for constructing, maintaining and repairing roads and bridges within the Township.



**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Special Levy** This fund receives tax money from a 1-mill levy approved by Township voters for constructing, maintaining and repairing of roads within the Township.

**Capital Projects Fund** This fund accounts 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:

**Permanent Improvement Fund** This fund was set up years ago to accumulate estate tax revenue for any township permanent improvement in the future, such as a possible new township hall or township garage, or permanent improvements made to the buildings or grounds. Since there are no permanent improvement plans, the funds transferred back to the general fund with authorization from the Lorain County Court of Common Pleas.

***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 and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 cancelled and re-appropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

***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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***Capital Assets***

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

***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

**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$163,845	\$172,681	\$8,836
Special Revenue	168,908	250,571	81,663
Total	\$332,753	\$423,252	\$90,499

2017 Budgeted vs. Actual Budgetary Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,082	\$112,768	\$11,314
Special Revenue	280,550	302,558	(22,008)
Capital Projects	68,966	68,966	0
Total	\$473,598	\$484,292	(\$10,694)

**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:

	2017
Demand deposits	\$511,666
STAR Ohio	86,340
Total deposits and investments	\$598,006

**Deposits**

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

**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

***Investments***

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

**Note 5 – Property Taxes**

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

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

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

**Note 6 - Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Workers Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA) a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (Formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and in excess of \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2017 Contributions to OTARMA</u>
\$7,070

After one year of membership a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

All 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.

**Brighton Township**  
*Lorain County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 8 – Postemployment Benefits**

OPERS 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 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during calendar year 2017.

**Note 9 - Jointly Governed Organizations**

**Rural Lorain County Water Authority (RLCWA).** RLCWA is a regional water district and political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. RLCWA was incorporated in the State of Ohio on August 23, 1973 as a public use to users within, and without, the district. RLCWA is exempt from federal income tax. The RLCWA operates under a Board of Trustees which consists of as many members as equals the total number of villages and townships within the regional water district.

**Southern Lorain County Ambulance District (SLCAD).** SLCAD is an ambulance district organized pursuant to Ohio Revised Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Village of Wellington and Wellington, Huntington, Penfield, Rochester, Brighton and Pittsfield Townships. The SLCAA provides emergency medical services to the residents within the District which includes Brighton Township.

**Wellington Community Fire District.** The Fire District is a joint community fire district organized pursuant to Ohio Revised Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington, and Brighton, Huntington, Penfield, Pittsfield and Wellington Townships. The Fire District provides fire protection and rescue services within the Fire District which includes Brighton Township.

**Lorain County General Health District.** The Health District is a joint community health district organized pursuant to Ohio Revised Code. An eight-member Board, including a Health Commissioner, govern the District which provides health services to the community including education and prevention of disease.



Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

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

Brighton Township  
Lorain County  
21451 St Rt 511  
Wellington, Ohio 44090

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 Brighton Township, Lorain County (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 30, 2019 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

***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*.

***Township's Response to Finding***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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

September 30, 2019



**BRIGHTON TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Financial Reporting**

**FINDING NUMBER 2018-001**

MATERIAL WEAKNESS

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.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of the financial statements and notes of the Township. The following material errors were noted and subsequent corrections were made to the financial statements, footnotes and accounting records by Management:

In 2017,

- The Township improperly classified \$18,966 of subsequent year appropriations as Unassigned fund balance in the General Fund, when the amount should have been classified as Assigned fund balance.
- The Township posted capital asset trade-in purchases at the net amount instead of the gross amount. As a result, the Special Revenue Fund's Public Works disbursements and the Sale of Capital Assets receipts were both understated by \$87,757.

In 2018,

- The Township improperly posted homestead and rollback receipts in the General Fund in the amount of \$4,179. As a result, intergovernmental receipts in the Special Revenue Road and Bridge Fund and Special Levy-Road Repair Fund were understated by \$2,697 and \$1,482, respectively.
- The Township improperly posted property and other local taxes receipts in the General Fund in the amount of \$25,289. As a result, property and other local taxes in the Special Revenue Road and Bridge Fund and Special Levy-Road Repair Fund were understated by \$16,280 and \$9,009, respectively.
- The Township posted capital asset trade-in purchases at the net amount instead of the gross amount. As a result, the Special Revenue Fund's Public Works disbursements and the Sale of Capital Assets receipts were both understated by \$90,993.
- In the General Fund, a projected error of \$6,918 in the General Government payroll expenditure account was incorrectly posted to the Special Revenue Fund's Public Works account.

**BRIGHTON TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(Continued)**

Fund balances, as well as revenue and expenditure accounts were incorrectly classified due to a lack of oversight by the Township management.

Failure to accurately classify financial statement transactions diminishes the effectiveness of management's monitoring and decision making throughout the year as well as the reliability of the financial data at year-end.

We recommend the Township implement and/or strengthen controls over financial reporting. The Township should contact an appropriate source for guidance if they have any uncertainty when classifying fund balance, receipts and expenditures. Further, the Township should refer to Auditor of State Bulletin 2011-004 Government Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions and the Ohio Township Handbook located on the Auditor of State's website. The Township should evaluate its methods for posting financial transactions to help ensure the amounts are properly recorded on the Township's financial statements and notes to the financial statements and also perform a review of the financial statements and notes for completeness and accuracy.

**Official's Response:** We agree with Finding 2018-001 and we have taken the guidance provided to make the requisite corrections to our financial statements and the Township's accounting system. We have also implemented procedures to enhance internal controls over financial reporting.

# OHIO AUDITOR OF STATE KEITH FABER



**BRIGHTON TOWNSHIP**

**LORAIN 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  
NOVEMBER 7, 2019**