



OHIO AUDITOR OF STATE
KEITH FABER



**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Brimfield Township
Portage County
1333 Tallmadge Road
Kent, Ohio 44240

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Brimfield Township, Portage County, Ohio (the Township).

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, 2020 and 2019, 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 for each governmental fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Township, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2022, 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

August 18, 2022

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Brimfield Township

Portage 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, 2020

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|-------------------|---------------------|-------------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$ 409,386 | \$ 4,492,181 | \$ 102,316 | \$ - | \$ 5,003,883 |
| Charges for Services | 9,086 | 188,144 | - | - | 197,230 |
| Licenses, Permits, and Fees | 193,512 | - | - | - | 193,512 |
| Fines and Forfeitures | - | 58,492 | - | - | 58,492 |
| Intergovernmental | 191,985 | 1,981,130 | - | - | 2,173,115 |
| Special Assessments | - | 10,233 | - | - | 10,233 |
| Miscellaneous | 259,697 | 86,066 | - | - | 345,763 |
| <i>Total Cash Receipts</i> | <u>1,063,666</u> | <u>6,816,246</u> | <u>102,316</u> | <u>-</u> | <u>7,982,228</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 1,027,312 | 117,881 | - | - | 1,145,193 |
| Public Safety | - | 4,027,333 | - | - | 4,027,333 |
| Public Works | - | 1,479,099 | - | - | 1,479,099 |
| Health | 30,951 | 32,056 | - | - | 63,007 |
| Conservation-Recreation | 40,275 | - | - | - | 40,275 |
| Capital Outlay | - | 24,890 | - | 137,128 | 162,018 |
| Debt Service: | | | | | |
| Principal Retirement | 30,414 | 166,736 | 53,405 | - | 250,555 |
| Interest and Fiscal Charges | 18,577 | 60,755 | 4,715 | - | 84,047 |
| <i>Total Cash Disbursements</i> | <u>1,147,529</u> | <u>5,908,750</u> | <u>58,120</u> | <u>137,128</u> | <u>7,251,527</u> |
| <i>Excess of Receipts Over/(Under) Disbursements</i> | <u>(83,863)</u> | <u>907,496</u> | <u>44,196</u> | <u>(137,128)</u> | <u>730,701</u> |
| Other Financing Receipts/(Disbursements) | | | | | |
| Other Financing Sources | - | - | - | 137,128 | 137,128 |
| Other Financing Uses | - | (25,582) | - | - | (25,582) |
| Advances In | 2,000 | 2,000 | - | - | 4,000 |
| Advances Out | (2,000) | (2,000) | - | - | (4,000) |
| <i>Total Other Financing Receipts/(Disbursements)</i> | <u>-</u> | <u>(25,582)</u> | <u>-</u> | <u>137,128</u> | <u>111,546</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(83,863)</u> | <u>881,914</u> | <u>44,196</u> | <u>-</u> | <u>842,247</u> |
| <i>Fund Cash Balances, January 1</i> | <u>228,371</u> | <u>2,276,252</u> | <u>101,502</u> | <u>-</u> | <u>2,606,125</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 144,508</u> | <u>\$ 3,158,166</u> | <u>\$ 145,698</u> | <u>\$ -</u> | <u>\$ 3,448,372</u> |

The notes to the financial statements are an integral part of this statement.

Brimfield Township

Portage County, Ohio

Statement of Additions, Deductions, and
Changes in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

| | <u>Custodial</u> |
|---|------------------------|
| Additions | |
| Property and Other Local Taxes Collected for Distribution | \$ 53,868 |
| Deductions | |
| Other Distributions | <u>58,314</u> |
| <i>Net Change in Fund Balance</i> | (4,446) |
| <i>Fund Cash Balance, January 1</i> | <u>14,396</u> |
| <i>Fund Cash Balance, December 31</i> | <u><u>\$ 9,950</u></u> |

The notes to the financial statements are an integral part of this statement.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Brimfield Township, Portage 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 protection, fire protection and emergency medical services.

Joint Ventures and Public Entity Risk Pool

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Township participates in two joint ventures and one public entity risk pool. Notes 10 and 11 to the financial statements provide additional information for these entities, which are;

Joint Venture – The Brimfield-Kent Joint Economic Development District (JEDD) – In April 2005, the Brimfield Township Board of Trustees approved the formation of this JEDD with the City of Kent. The parties have entered into a contract to create and provide for the operation of the JEDD in accordance with Sections 715.72 through 715.83 of the Ohio Revised Code. The purpose of this JEDD is to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Brimfield Township and the City of Kent. The Township received \$106,073 in 2020, of which a portion is applied to the Capital Maintenance fund for the JEDD.

Joint Venture – The Brimfield-Tallmadge Joint Economic Development District (JEDD) – In March 2003, the Brimfield Township Board of Trustees approved the formation of this JEDD with the City of Tallmadge. The parties have entered into a contract to create and provide for the operation of the JEDD in accordance with Sections 715.72 through 715.77 of the Ohio Revised Code. The purpose of this JEDD is to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Brimfield Township and the City of Tallmadge. The Township received \$835,737 in 2020, of which a portion is applied to the Capital Maintenance fund for the JEDD.

Public Entity Risk Pool – Ohio Township Association Risk Management Authority (OTARMA) – The risk sharing pool, available to Ohio Townships provides property and casualty insurance for its members. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

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

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 additions, deductions 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:

Special Levy Fire Fund – This fund receives property tax money for the support of the Fire Department for the Township.

Ambulance and Emergency Medical Fund – This fund receives property tax money as well as charges for services to support services provided to the residents of the Township.

Special Levy Road Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges

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

Special Levy Police Fund – This fund receives property tax money to provide police protection to the residents of the Township.

Coronavirus Relief Fund – This fund accounts for and reports receipts from CARES Act money used for the purpose of emergency relief for 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:

General Note Retirement Fund – This fund receives property tax money for the retirement of the Township's general obligation debt.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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:

Permanent Improvement Fund – This Township received a loan for renovations to the Police Station.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Township’s custodial fund accounts for a tax on the gross income of the hotels and motels within the Township, of which the Township remits twenty-five percent to the Central Portage County Visitor and Convention Bureau.

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 reappropriated.

A summary of 2020 budgetary activity appears in Note 3.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

Fund balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2020 follows:

| 2020 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,171,174 | \$1,063,666 | (\$107,508) |
| Special Revenue | 6,680,942 | 6,816,246 | 135,304 |
| Debt Service | 102,316 | 102,316 | 0 |
| Capital Projects | 0 | 137,128 | 137,128 |
| Total | \$7,954,432 | \$8,119,356 | \$164,924 |

| 2020 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,367,881 | \$1,196,257 | \$171,624 |
| Special Revenue | 8,735,019 | 6,458,366 | 2,276,653 |
| Debt Service | 126,426 | 58,120 | 68,306 |
| Capital Projects | 0 | 137,128 | (137,128) |
| Total | \$10,229,326 | \$7,849,871 | \$2,379,455 |

*The budgetary basis expenditures presented in the tables above include encumbrances outstanding at year-end.

Appropriation authority amounts are as approved by the Board of Trustees.

4. DEPOSITS AND INVESTMENTS

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

| | 2020 |
|------------------------------|-------------|
| Cash Management Pool: | |
| Demand deposits | \$3,458,322 |
| Total deposits | 3,458,322 |

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Township is holding \$87,015 in unremitted employee payroll withholdings.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Deposits

Deposits are insured by the Federal Depository 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.

At December 31, 2020, \$1,756,775 of deposits were not insured or collateralized because the Township's financial institution was approved for a reduced collateral rate of 50 percent by the OPCS.

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 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.

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

6. DEBT

Debt outstanding at December 31, 2020 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|------------------------------------|--------------------|----------------------|
| 2018 G.O. Bonds - Land Acquisition | \$358,577 | 4.39% |
| 2020 G.O. Bonds - Land Acquisition | \$100,000 | 4.25% |
| USDA Loan - Police Building | 1,224,100 | 3.375% |
| USDA Loan - Fire Truck | <u>91,400</u> | 3.50% |
| Total | <u>\$1,774,077</u> | |

During 2020, the Township issued a \$100,000 land acquisition bond through Key Bank for the purchase of land located within the Township. The bond will mature on September 15, 2030 and bears an original interest rate of 4.25 percent.

During 2018, the Township issued a \$432,000 land acquisition bond through Key Bank for the purchase of land located within the Township. The bond will mature on November 1, 2028 and bears an original interest rate of 4.39 percent.

The Township in 2012 was the recipient of two USDA loans, one for the construction of a new Police Station in the amount \$1,460,000 and the second for the purchase of a Fire Truck in the amount of \$400,000. The USDA issues bonds that the Township is obligated to repay. The Police Station loan is a 30 year debt with the first year payment in 2013 of interest only. The Fire Truck issue is a 10 year issue based on the useful life estimate of the Fire Truck, with the first payment due in 2013.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

The Township's taxing authority collateralized all the outstanding debt.

Principal and interest requirements to retire the debt outstanding at December 31, 2020, are as follows:

| Year Ended December 31, | USDA - Police Station | | | 2020 Land Acquisition Bond | | |
|----------------------------|-----------------------|------------|--------------|----------------------------|-----------|------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 38,500 | \$ 41,313 | \$ 79,813 | \$ 8,233 | \$ 4,250 | \$ 12,483 |
| 2022 | 39,700 | 40,014 | 79,714 | 8,583 | 3,900 | 12,483 |
| 2023 | 41,000 | 38,674 | 79,674 | 8,948 | 3,535 | 12,483 |
| 2024 | 42,400 | 37,290 | 79,690 | 9,328 | 3,155 | 12,483 |
| 2025 | 43,900 | 35,859 | 79,759 | 9,724 | 2,759 | 12,483 |
| 2026-42 | 1,018,600 | 336,639 | 1,355,239 | 55,184 | 7,230 | 62,414 |
| Total | \$ 1,224,100 | \$ 529,789 | \$ 1,753,889 | \$ 100,000 | \$ 24,829 | \$ 124,829 |

| Year Ended December 31, | 2018 Land Acquisition Bond | | | USDA - Fire Truck | | |
|----------------------------|----------------------------|-----------|------------|-------------------|----------|-----------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 37,306 | \$ 15,794 | \$ 53,100 | \$ 44,900 | \$ 3,199 | \$ 48,099 |
| 2022 | 40,197 | 14,104 | 54,301 | 46,500 | 1,628 | 48,128 |
| 2023 | 41,962 | 12,339 | 54,301 | - | - | - |
| 2024 | 43,804 | 10,497 | 54,301 | - | - | - |
| 2025 | 45,727 | 8,574 | 54,301 | - | - | - |
| 2026-2028 | 149,581 | 13,321 | 162,902 | - | - | - |
| Total | \$ 358,577 | \$ 74,629 | \$ 433,206 | \$ 91,400 | \$ 4,827 | \$ 96,227 |

7. CAPITAL LEASES

During 2020, the Township entered into a lease/purchase with Key Government Finance for the lease/purchase of a Fire Prevention Officer Pick-up in the amount of \$37,128 at 5.99% interest for 3 years.

During 2019, the Township entered into a lease/purchase with Key Government Finance for the lease/purchase of a Parks and Recreation Director SUV, in the amount of \$21,665 at 5.49% interest for 5 years.

During 2019, the Township entered into a lease/purchase with Key Government Finance for the lease/purchase of a Dump Truck, in the amount of \$142,543 at 4.56% interest for 7 years.

During 2019, the Township entered into a lease/purchase with Key Government Finance for the lease/purchase of an Ambulance, in the amount of \$207,476 at 3.98% interest for 6 years.

During 2018, the Township entered into a lease/purchase with Key Government Finance for the lease/purchase of a Bobcat, in the amount of \$63,695 at 4.89% interest for 5 years.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

During 2016, the Township entered into a lease/purchase for a Dump Truck in the amount of \$187,250 for 5 years.

The following is a schedule of the future minimum lease payments required under the capital lease.

| Year Ended December 31, | 2019 Dump Truck | Ambulance | Bobcat | Parks & Rec. SUV | Fire Preventior Officer Pickup |
|--|-------------------------|-------------------------|------------------------|------------------------|-----------------------------------|
| 2021 | \$23,362 | \$44,944 | \$14,069 | \$4,808 | \$13,103 |
| 2022 | 23,362 | 44,944 | 14,069 | 4,808 | 13,103 |
| 2023 | 23,362 | 44,944 | - | 4,808 | - |
| 2024 | 23,362 | - | - | - | - |
| 2025 | 23,662 | - | - | - | - |
| 2026 | - | - | - | - | - |
| Total | \$117,110 | \$134,832 | \$28,138 | \$14,424 | \$26,206 |
| Less: Amount Representing Interest | <u>(14,722)</u> | <u>(10,061)</u> | <u>(1,978)</u> | <u>(1,449)</u> | <u>(2,179)</u> |
| <i>Present Value of Minimum Lease</i> | <u>\$102,388</u> | <u>\$124,771</u> | <u>\$26,160</u> | <u>\$12,975</u> | <u>\$24,027</u> |

8. RETIREMENT SYSTEMS

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. Law enforcement OPERS members contributed 13% of their gross salaries, and the Township contributed an amount equaling 18.1% of participants gross salaries. All other OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2020.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed 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 OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

10. JOINT VENTURES

The Brimfield-Kent Joint Economic Development District (JEDD) – The Brimfield-Kent Joint Economic Development District was a contract entered into by Brimfield Township and the City of Kent in April 2005, in accordance with Ohio Revised Code Sections 715.72 through 715.83 for their mutual benefit and for the benefit of their residents.

The JEDD was created to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Brimfield Township and the City of Kent. The Township and the City each agreed to contribute to the development and operation of the District. The land of the JEDD is situated within the Township limits, and utility services are provided by the City. A mutual aid agreement between the Township and City for police and fire protection will be maintained for the District. A five-member appointed Board of Directors as provided by Ohio Revised Code Section 715.78(A)(1)(a) through (e) is appointed to govern the District. The Township and City adopt by-laws for the regulation of the affairs of the Board and the conduct of business.

The JEDD Board adopted a resolution at its first meeting to levy an income tax in the District at the following rates:

| <u>Years</u> | <u>Income Tax Rate</u> |
|----------------|------------------------|
| 2009-2011 | 0.75% |
| 2012-2014 | 1.00% |
| 2015-2018 | 1.25% |
| 2019-2021 | 1.50% |
| 2022-2024 | 1.75% |
| 2025-2028 | 2% |
| 2029 and After | Same Rate as City |

The City of Kent administers, collects and enforces the income tax on behalf of the District.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Under the terms of the agreement, the Township establishes the Brimfield-Kent Maintenance and Improvement Fund (#2194) for the purpose of paying costs of maintenance and permanent improvements within the District. The District is required to set aside 0.5 percent of the income tax collected each year into this Maintenance and Improvement Fund. Once the amount of revenue to be held in this fund is determined, and all obligations of the District are met, the remaining income tax revenues shall be distributed to the Township and the City at 45 percent and 55 percent, respectively. The JEDD's financial statements can be obtained by contacting the City of Kent's Finance Department.

The Brimfield-Tallmadge Joint Economic Development District (JEDD) – The Brimfield-Tallmadge Joint Economic Development District was a contract entered into by Brimfield Township and the City of Tallmadge in March 2003, in accordance with Ohio Revised Code Sections 715.72 through 715.77 for their mutual benefit and the for the benefit of their residents.

The JEDD was created to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Brimfield Township and the City of Tallmadge. The Township and the City each agreed to contribute to the development and operation of the District.

The land of the JEDD is situated within the Township limits, and utility services are provided by the City. A mutual aid agreement between the Township and City for police and fire protection will be maintained for the District. A five member appointed Board of Directors as provided by Ohio Revised Code Section 715.78(A)(1)(a) through (e) is appointed to govern the District.

One member representing the City and appointed by the Mayor, one member representing the Township and appointed by the Township Trustees, one member who is a business owner in the JEDD representing the business owners in the JEDD and appointed by the Township Trustees, one member who is a person employed within the JEDD and appointed by the Mayor with confirmation of City Council and one member selected by unanimous vote of all members appointed at the time. The Township and City adopt by-laws for the regulation of the affairs of the Board and the conduct of business.

The JEDD Board adopted a resolution at its first meeting to levy an income tax in the District at the rate not to exceed the highest rate levied by the City of Tallmadge, currently two percent. The income tax will be collected and shared as follows:

1. The split shall be 55 percent for Tallmadge and 45 percent for Brimfield Township. The City and the Township will each contribute 5% of the total (1/2 of the 10% MCI Fund) JEDD funds to be designated for the "Maintenance and Capital Improvement Fund", to be administered by the Township and used in the JEDD area of the Township. The intent is that 10% of the total JEDD revenue collected be contributed equally, 1/2 by Tallmadge, and 1/2 by Brimfield.

The City of Tallmadge administers, collects and enforces the income tax on behalf of the District.

11. RISK MANAGEMENT

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

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Worker's 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.

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.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (the "Pool"). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | |
|-----------------------|--------------|
| | <u>2020</u> |
| Cash and Investments | \$33,097,416 |
| Actuarial liabilities | 7,874,610 |

12. FUND BALANCES

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

| <u>Fund Balances</u> | <u>General</u> | <u>Special Revenue</u> | <u>Total</u> |
|--------------------------|-----------------|----------------------------|------------------|
| Outstanding Encumbrances | 48,728 | 524,034 | 572,762 |
| Total | <u>\$48,728</u> | <u>\$524,034</u> | <u>\$572,762</u> |

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

13. CHANGE IN ACCOUNTING PRINCIPLE

For 2020, the Township has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate combined statement of additions, deductions, and changes in fund balances (regulatory cash basis) – all fiduciary fund types, and removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types.

14. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

15. CONTINGENT LIABILITIES

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

16. SUBSEQUENT EVENT

In November 2020, voters approved a bond levy to issuance of \$8,500,000 of bonds for the renovation and improvement of the Fire Station and Township Administrative Offices. The Township issued the bonds in 2021. Additionally, the Township anticipates USDA Rural Development approving a loan of a yet to be determined amount for use in the renovation and improvement of the Fire Station and Township Administration Offices.

Brimfield Township

Portage 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, 2019

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|-------------------|---------------------|-------------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$ 563,322 | \$ 4,414,197 | \$ 48,185 | \$ - | \$ 5,025,704 |
| Charges for Services | 6,845 | 201,544 | - | - | 208,389 |
| Licenses, Permits, and Fees | 204,877 | 24,686 | - | - | 229,563 |
| Fines and Forfeitures | - | 44,520 | - | - | 44,520 |
| Intergovernmental | 423,939 | 1,358,260 | - | - | 1,782,199 |
| Special Assessments | - | 7,064 | - | - | 7,064 |
| Miscellaneous | 170,107 | 129,439 | - | - | 299,546 |
| <i>Total Cash Receipts</i> | <u>1,369,090</u> | <u>6,179,710</u> | <u>48,185</u> | <u>-</u> | <u>7,596,985</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 1,193,201 | 67,430 | - | - | 1,260,631 |
| Public Safety | - | 3,823,889 | - | - | 3,823,889 |
| Public Works | - | 1,476,284 | - | - | 1,476,284 |
| Health | 31,975 | 10,207 | - | - | 42,182 |
| Conservation-Recreation | 57,842 | - | - | - | 57,842 |
| Other | - | 1,763 | - | - | 1,763 |
| Capital Outlay | - | 86,737 | - | 371,684 | 458,421 |
| Debt Service: | | | | | |
| Principal Retirement | 36,548 | 233,552 | 42,000 | - | 312,100 |
| Interest and Fiscal Charges | 17,542 | 55,000 | 6,185 | - | 78,727 |
| <i>Total Cash Disbursements</i> | <u>1,337,108</u> | <u>5,754,862</u> | <u>48,185</u> | <u>371,684</u> | <u>7,511,839</u> |
| <i>Excess of Receipts Over/(Under) Disbursements</i> | <u>31,982</u> | <u>424,848</u> | <u>-</u> | <u>(371,684)</u> | <u>85,146</u> |
| Other Financing Receipts/(Disbursements) | | | | | |
| Other Financing Sources | - | - | - | 371,684 | 371,684 |
| Other Financing Uses | (7,911) | (3) | - | - | (7,914) |
| Advances In | 211,000 | 194,000 | - | - | 405,000 |
| Advances Out | (194,000) | (211,000) | - | - | (405,000) |
| <i>Total Other Financing Receipts/(Disbursements)</i> | <u>9,089</u> | <u>(17,003)</u> | <u>-</u> | <u>371,684</u> | <u>363,770</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>41,071</u> | <u>407,845</u> | <u>-</u> | <u>-</u> | <u>448,916</u> |
| Fund Cash Balances, January 1 | <u>187,300</u> | <u>1,868,407</u> | <u>101,502</u> | <u>-</u> | <u>2,157,209</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | - | 2,276,252 | 101,502 | - | 2,377,754 |
| Assigned | 149,328 | - | - | - | 149,328 |
| Unassigned | 79,043 | - | - | - | 79,043 |
| <i>Total Fund Cash Balances, December 31</i> | <u>\$ 228,371</u> | <u>\$ 2,276,252</u> | <u>\$ 101,502</u> | <u>\$ -</u> | <u>\$ 2,606,125</u> |

The notes to the financial statements are an integral part of this statement.

Brimfield Township

Portage County, Ohio

Statement of Additions, Deductions, and
Changes in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2019

| | <u>Custodial</u> |
|---|-------------------------|
| Additions | |
| Property and Other Local Taxes Collected for Distribution | \$ 97,317 |
| Deductions | |
| Other Distributions | <u>89,732</u> |
| <i>Net Change in Fund Balance</i> | 7,585 |
| <i>Fund Cash Balance, January 1</i> | <u>6,811</u> |
| <i>Fund Cash Balance, December 31</i> | <u><u>\$ 14,396</u></u> |

The notes to the financial statements are an integral part of this statement.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Brimfield Township, Portage 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 protection, fire protection and emergency medical services.

Joint Ventures and Public Entity Risk Pool

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Township participates in two joint ventures and one public entity risk pool. Notes 10 and 11 to the financial statements provide additional information for these entities, which are;

Joint Venture – The Brimfield-Kent Joint Economic Development District (JEDD) – In April 2005, the Brimfield Township Board of Trustees approved the formation of this JEDD with the City of Kent. The parties have entered into a contract to create and provide for the operation of the JEDD in accordance with Sections 715.72 through 715.83 of the Ohio Revised Code. The purpose of this JEDD is to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Brimfield Township and the City of Kent. The Township received \$101,955 in 2019, of which a portion is applied to the Capital Maintenance fund for the JEDD.

Joint Venture – The Brimfield-Tallmadge Joint Economic Development District (JEDD) – In March 2003, the Brimfield Township Board of Trustees approved the formation of this JEDD with the City of Tallmadge. The parties have entered into a contract to create and provide for the operation of the JEDD in accordance with Sections 715.72 through 715.77 of the Ohio Revised Code. The purpose of this JEDD is to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Brimfield Township and the City of Tallmadge. The Township received \$812,540 in 2019, of which a portion is applied to the Capital Maintenance fund for the JEDD.

Public Entity Risk Pool – Ohio Township Association Risk Management Authority (OTARMA) – The risk sharing pool, available to Ohio Townships provides property and casualty insurance for its members. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

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

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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:

Special Levy Fire Fund – This fund receives property tax money for the support of the Fire Department for the Township.

Ambulance and Emergency Medical Fund – This fund receives property tax money as well as charges for services to support services provided to the residents of the Township.

Special Levy Road Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges

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

Special Levy Police Fund – This fund receives property tax money to provide police protection to the residents of 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:

General Note Retirement Fund – This fund receives property tax money for the retirement of the Township's general obligation debt.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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 funds:

Permanent Improvement Fund – The Township received a loan for renovations to the Police Station.

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 fund accounts for a tax on the gross income of the hotels and motels in the area, of which the Township remits twenty-five percent to the Central Portage County Visitors and Convention Bureau.

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 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 reappropriated.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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.

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.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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.

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 | \$1,145,318 | \$1,369,090 | \$223,772 |
| Special Revenue | 6,340,495 | 6,179,710 | (160,785) |
| Debt Service | 48,185 | 48,185 | 0 |
| Capital Projects | 0 | 371,684 | 371,684 |
| Total | \$7,533,998 | \$7,968,669 | \$434,671 |

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,421,593 | \$1,387,924 | \$33,669 |
| Special Revenue | 7,900,539 | 6,054,440 | 1,846,099 |
| Debt Service | 149,687 | 48,185 | 101,502 |
| Capital Projects | 0 | 371,684 | (371,684) |
| Total | \$9,471,819 | \$7,862,233 | \$1,609,586 |

*The budgetary basis expenditures presented in the tables above include encumbrances outstanding at year-end.

Appropriation authority amounts are as approved by the Board of Trustees.

4. Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was \$2,620,521.

Deposits

Deposits are insured by the Federal Depository 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.

At December 31, 2019, \$1,202,509 of the Township's deposits were insured or collateralized because the Township's financial institution was approved for a reduced rate of 50 percent by the OPCS.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 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.

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

6. DEBT

Debt outstanding at December 31, 2019 was as follows:

| | Principal | Interest Rate |
|------------------------------|-------------|---------------|
| G.O. Bonds- Land Acquisition | \$395,452 | 4.39% |
| USDA Loan - Police Building | 1,261,200 | 3.375% |
| USDA Loan - Fire Truck | 134,700 | 3.50% |
| Total | \$1,791,352 | |

During 2018, the Township issued a \$432,000 land acquisition bond through Key Bank for the purchase of land located within the Township. The bond will mature on November 1, 2028 and bears an original interest rate of 4.39 percent.

During 2012, the Township was the recipient of two USDA loans, one for the construction of a new Police Station in the amount \$1,460,000 and the second for the purchase of a Fire Truck in the amount of \$400,000. The USDA issues bonds that the Township is obligated to repay. The Police Station loan is a 30-year debt with the first year payment in 2013 of interest only. The Fire Truck issue is a 10-year issue based on the useful life estimate of the Fire Truck, with the first payment due in 2013.

The Township's taxing authority collateralized all the outstanding debt.

Principal and interest requirements to retire the debt outstanding at December 31, 2019, are as follows:

| Year Ended December 31, | USDA - Police Station | | |
|----------------------------|-----------------------|------------|--------------|
| | Principal | Interest | Total |
| 2020 | \$ 37,100 | \$ 42,566 | \$ 79,666 |
| 2021 | 38,500 | 41,313 | 79,813 |
| 2022 | 39,700 | 40,014 | 79,714 |
| 2023 | 41,000 | 38,674 | 79,674 |
| 2024 | 42,400 | 37,290 | 79,690 |
| 2025-42 | 1,062,500 | 372,499 | 1,434,999 |
| Total | \$ 1,261,200 | \$ 572,356 | \$ 1,833,556 |

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

| Year Ended December 31, | Land Acquisition Bond | | | USDA - Fire Truck | | |
|----------------------------|-----------------------|------------------|-------------------|-------------------|-----------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2020 | \$ 35,675 | \$ 17,414 | \$ 53,089 | \$ 43,300 | \$ 4,715 | \$ 48,015 |
| 2021 | 38,507 | 15,794 | 54,301 | 44,900 | 3,199 | 48,099 |
| 2022 | 40,197 | 14,104 | 54,301 | 46,500 | 1,628 | 48,128 |
| 2023 | 41,962 | 12,339 | 54,301 | - | - | - |
| 2024 | 43,803 | 10,498 | 54,301 | - | - | - |
| 2025-2027 | 195,308 | 21,896 | 217,204 | - | - | - |
| Total | <u>\$ 395,452</u> | <u>\$ 92,045</u> | <u>\$ 487,497</u> | <u>\$ 134,700</u> | <u>\$ 9,542</u> | <u>\$ 144,242</u> |

7. CAPITAL LEASES

During 2019, the Township entered into a lease/purchase with Key Government Finance for the lease/purchase of a Parks and Recreation Director SUV, in the amount of \$21,665 at 5.49% interest for 5 years.

During 2019, the Township entered into a lease/purchase with Key Government Finance for the lease/purchase of a Dump Truck, in the amount of \$142,543 at 4.56% interest for 7 years.

During 2019, the Township entered into a lease/purchase with Key Government Finance for the lease/purchase of an Ambulance, in the amount of \$207,476 at 3.98% interest for 6 years.

During 2018, the Township entered into a lease/purchase with Key Government Finance for the lease/purchase of a Bobcat, in the amount of \$63,695 at 4.89% interest for 5 years.

During 2018, the Township entered into a lease/purchase for a K-9/detective Police Cruiser, in the amount of \$69,271 for 3 years at 7.79%.

During 2016, the Township entered into a lease/purchase for a Dump Truck in the amount of \$187,250 for 5 years.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

The following is a schedule of the future minimum lease payments required under the capital lease.

| Year Ended December 31, | 2016 Dump Truck | 2019 Dump Truck | Ambulance | Bobcat | K-9/Detective Police Cruiser | Parks & Rec. SUV |
|---|--------------------|--------------------|------------------|-----------------|---------------------------------|---------------------|
| 2020 | \$39,963 | \$23,362 | \$44,944 | \$14,069 | \$25,488 | \$4,808 |
| 2021 | - | 23,362 | 44,944 | 14,069 | - | 4,808 |
| 2022 | - | 23,362 | 44,944 | 14,069 | - | 4,808 |
| 2023 | - | 23,362 | 44,944 | - | - | 4,808 |
| 2024 | - | 23,662 | - | - | - | - |
| 2025 | - | 23,362 | - | - | - | - |
| Total | <u>\$39,963</u> | <u>\$140,472</u> | <u>\$179,776</u> | <u>\$42,207</u> | <u>\$25,488</u> | <u>\$19,232</u> |
| Less: Amount | | | | | | |
| Representing Interest | <u>(1,245)</u> | <u>(21,289)</u> | <u>(17,245)</u> | <u>(3,894)</u> | <u>(1,842)</u> | <u>(2,374)</u> |
| Present Value of Minimum Lease | <u>\$38,718</u> | <u>\$119,183</u> | <u>\$162,531</u> | <u>\$38,313</u> | <u>\$23,646</u> | <u>\$16,858</u> |

8. RETIREMENT SYSTEMS

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. Law enforcement OPERS members contributed 13% of their gross salaries, and the Township contributed an amount equaling 18.1% of participants gross salaries. All other OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2019.

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 percent during calendar year 2019.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Beginning January 1, 2019, OP&F changed 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 OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

10. JOINT VENTURES

The Brimfield-Kent Joint Economic Development District (JEDD) – The Brimfield-Kent Joint Economic Development District was a contract entered into by Brimfield Township and the City of Kent in April 2005, in accordance with Ohio Revised Code Sections 715.72 through 715.83 for their mutual benefit and for the benefit of their residents.

The JEDD was created to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Brimfield Township and the City of Kent. The Township and the City each agreed to contribute to the development and operation of the District. The land of the JEDD is situated within the Township limits, and utility services are provided by the City. A mutual aid agreement between the Township and City for police and fire protection will be maintained for the District. A five member appointed Board of Directors as provided by Ohio Revised Code Section 715.78(A)(1)(a) through (e) is appointed to govern the District. The Township and City adopt by-laws for the regulation of the affairs of the Board and the conduct of business.

The JEDD Board adopted a resolution at its first meeting to levy an income tax in the District at the following rates:

| <u>Years</u> | <u>Income Tax Rate</u> |
|----------------|------------------------|
| 2009-2011 | 0.75% |
| 2012-2014 | 1.00% |
| 2015-2018 | 1.25% |
| 2019-2021 | 1.50% |
| 2022-2024 | 1.75% |
| 2025-2028 | 2% |
| 2029 and After | Same Rate as City |

The City of Kent administers, collects and enforces the income tax on behalf of the District.

Under the terms of the agreement, the Township establishes the Brimfield-Kent Maintenance and Improvement Fund (#2194) for the purpose of paying costs of maintenance and permanent improvements within the District. The District is required to set aside 0.5 percent of the income tax collected each year into this Maintenance and Improvement Fund. Once the amount of revenue to be held in this fund is determined, and all obligations of the District are met, the remaining income tax revenues shall be distributed to the Township and the City at 45 percent and 55 percent, respectively. The JEDD's financial statements can be obtained by contacting the City of Kent's Finance Department.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

The Brimfield-Tallmadge Joint Economic Development District (JEDD) – The Brimfield-Tallmadge Joint Economic Development District was a contract entered into by Brimfield Township and the City of Tallmadge in March 2003, in accordance with Ohio Revised Code Sections 715.72 through 715.77 for their mutual benefit and the for the benefit of their residents.

The JEDD was created to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Portage County, Brimfield Township and the City of Tallmadge. The Township and the City each agreed to contribute to the development and operation of the District.

The land of the JEDD is situated within the Township limits, and utility services are provided by the City. A mutual aid agreement between the Township and City for police and fire protection will be maintained for the District. A five member appointed Board of Directors as provided by Ohio Revised Code Section 715.78(A)(1)(a) through (e) is appointed to govern the District.

One member representing the City and appointed by the Mayor, one member representing the Township and appointed by the Township Trustees, one member who is a business owner in the JEDD representing the business owners in the JEDD and appointed by the Township Trustees, one member who is a person employed within the JEDD and appointed by the Mayor with confirmation of City Council and one member selected by unanimous vote of all members appointed at the time. The Township and City adopt by-laws for the regulation of the affairs of the Board and the conduct of business.

The JEDD Board adopted a resolution at its first meeting to levy an income tax in the District at the rate not to exceed the highest rate levied by the City of Tallmadge, currently two percent. The income tax will be collected and shared as follows:

1. The split shall be 55 percent for Tallmadge and 45 percent for Brimfield Township. The City and the Township will each contribute 5% of the total (1/2 of the 10% MCI Fund) JEDD funds to be designated for the “Maintenance and Capital Improvement Fund”, to be administered by the Township and used in the JEDD area of the Township. The intent is that 10% of the total JEDD revenue collected be contributed equally, ½ by Tallmadge, and ½ by Brimfield.

The City of Tallmadge administers, collects and enforces the income tax on behalf of the District.

11. RISK MANAGEMENT

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

Worker’s 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.

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.

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (the "Pool"). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2019</u> |
|-----------------------|--------------|
| Cash and Investments | \$35,207,320 |
| Actuarial liabilities | 10,519,942 |

12. CONTINGENT LIABILITIES

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

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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**

Brimfield Township
Portage County
1133 Tallmadge Road
Kent, Ohio 44240

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 for each governmental and fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and fiduciary fund type combined total as of and for the year ended December 31, 2019, and the related notes of Brimfield Township, Portage County, (the Township) and have issued our report thereon dated August 18, 2022, wherein we noted the Township followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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. We consider finding 2020-001 through 2020-002 and 2020-004 through 2020-005 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2020-003 described in the accompanying schedule of findings 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 financial statement. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2020-001 through 2020-003.

Township's Response to Findings

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

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

August 18, 2022

**BRIMFIELD TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

1. ORC 5705.10 – Recording in Incorrect Fund

FINDING NUMBER 2020-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Additionally, **Ohio Rev. Code § 5705.10(I)** requires that monies paid into any fund be used only for the purposes for which such fund is established.

During 2019 and 2020, the Township inappropriately paid capital lease payments out of the General Note Retirement fund instead of the Special Levy-Road Levy fund and the Ambulance and Emergency Medical Services fund.

Additionally, the following receipts were recorded in the incorrect fund:

- Fire licenses and permit fees were incorrectly posted to the General fund instead of the Special Levy - Fire fund
- Property tax receipts were incorrectly posted between the Road and Bridge fund, Special Levy - Road Levy fund, Special Levy - Fire fund and Special Levy - Police fund
- State motor vehicle and licenses tax receipts were inappropriately posted to Permissive Motor Vehicle License Tax fund instead of Motor Vehicle License Tax fund

Cash fund balances in the accounting system were adjusted as follows:

- General fund was reduced by \$19,480
- Motor Vehicle License Tax fund was increased by \$9,716
- Road and Bridge fund was reduced by \$372,272
- Special Levy - Fire fund was increased by \$5,048
- Special Levy - Police fund was increased by \$14,432
- Special Levy - Road Levy fund was increased by \$271,518
- Permissive Motor Vehicle License Tax fund was reduced by \$9,716
- Ambulance and Emergency Medical Services fund was reduced by \$44,944
- General Note Retirement fund was increased by \$145,698

Some of the mispostings above also had an impact on the financial statements. The financial statement impact of these adjustments are included in finding number 2020-005 - Financial Reporting.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Official's Response: We did not receive a response from Officials to this finding.

2. **5705.41(B) – Expenditures exceeding appropriations**

FINDING NUMBER 2020-002

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's Capital Project fund had expenditures in excess of appropriations of \$137,128 and \$371,684, as of December 31, 2020 and 2019, respectively.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Official's Response: We did not receive a response from Officials to this finding.

3. **ORC 505.603 Non-Compliance – Overpayment of Stipends in Lieu of Health Insurance Benefits**

FINDING NUMBER 2020-003

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Rev. Code § 505.603 states in addition to or in lieu of providing benefits to township officers and employees under section 505.60, 505.601, or 505.602 of the Revised Code, a board of township trustees may offer benefits to officers and employees through a cafeteria plan that meets the requirements of section 125 of the "Internal Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 125, as amended, after first adopting a policy authorizing an officer or employee to receive a cash payment in lieu of a benefit otherwise offered to township officers or employees under any of those sections, but only if the cash payment does not exceed twenty-five per cent of the cost of premiums or payments that otherwise would be paid by the board for benefits for the officer or employee under an offered policy, contract, or plan.

The Township did not appropriately calculate the stipend amounts paid to employees waiving health insurance benefits. In 2019 and 2020 the Township calculated the stipend as 25 percent of the total health insurance premiums rather than 25 percent of the Township's share of health insurance premiums. Additionally, in 2019 the Township calculated the biweekly stipend amount based on 26 bi-weekly pays, but paid the stipend 27 times, resulting in additional overpayments of the health insurance stipend.

These calculation errors resulted in 2019 and 2020 overpayments of stipends in lieu of health insurance benefits totaling \$9,212, which were paid to the following employees from the following funds:

- Brian Gardner was overpaid \$1,284, all from the General fund;
- Michael Hlad was overpaid \$885, all from the General fund;
- Craig Mulally was overpaid \$1,927, which consisted of \$1,709 from the Special Levy Fire fund and \$218 from the Ambulance and Emergency Medical fund, respectively;
- Curtis Rhoades was overpaid \$1,927, which consisted of \$1,360 from the Special Levy Fire fund and \$567 from the Ambulance and Emergency Medical fund, respectively;
- Joseph Weigel was overpaid \$1,911, which consisted of \$1,338 paid from Special Levy Fire fund and \$573 from the Ambulance and Emergency Medical fund, respectively;
- Kirsten Mitchen was overpaid \$236, all from the General fund.
- Roy Mosley was overpaid \$1,042, all from the General fund

During 2020, the Township corrected the calculation of the stipend going forward.

The Township should develop a payroll review procedure to ensure stipends for waiving Township health insurance eligibility are calculated based upon the employer share of health insurance premiums and the biweekly stipend is calculated based upon the number of pay dates in the calendar year in order to avoid stipend payments in excess of the statutorily permitted amount.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Brian Gardner, Michael Hlad, Craig Mullaly, Curtis Rhoades, Joseph Weigel, Kirsten Mitchen and Roy Mosley for their respective aforementioned overpayments and against Fiscal Officer John Dalziel, the insurance company, Ohio Township Risk Management Association, and the bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amounts of \$9,212, \$9,212 and \$6,828, respectively, and in favor of General fund, Special Levy Fire fund and Ambulance and Emergency Medical fund, in the amounts of \$3,447, \$4,407 and \$1,358, respectively.

Official's Response: Please see the attached Official's Response and Auditor of State's Conclusion.

Brimfield Township

1333 Tallmadge Road
Kent, OH 44240

Phone: 330-677-3688
Fax: 330-230-9200
Email: jdalziel@brimfieldohio.gov
Employer ID number: 34-6000335



August 31, 2022

Keith Faber
6000 Frank Ave, Suite 154
North Canton, Ohio 44720

RE– Letter in opposition– Health Insurance Stipend finding

Hello Keith,

During the 2019-2020 audit, a finding for recovery was issued against Brimfield Township and we oppose the finding.

Below is the finding:

During 2020, the Township corrected the calculation of the stipend going forward. The Township should develop a payroll review procedure to ensure stipends for waiving Township health insurance eligibility is calculated based upon the employer share of health insurance premiums and the biweekly stipend are calculated based upon the number of pay dates in the calendar year in order to avoid stipend payments in excess of the statutorily permitted amount. Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; Cordray v. Internatl. Preparatory School, 128 Ohio St.3d 50 (2010). In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Brian Gardner, Michael Hlad, Craig Mullaly, Curtis Rhoades, Joseph Weigel, Kirsten Mitchen and Roy Mosley for their respective aforementioned overpayments and against Fiscal Officer John Dalziel, the insurance company, Ohio Township Risk Management Association, and the bonding company, Travelers Casualty and Surety Company of America, jointly and severally, in the amounts of \$9,212, \$9,212 and \$6,828, respectively, and in favor of General fund, Special Levy Fire fund and Ambulance and Emergency Medical fund, in the amounts of \$3,447, \$4,407 and \$1,358, respectively.

Brimfield Township's opposition:

Employees within the Township who have spouses or other family members that provide medical benefit coverage in lieu of Township medical coverage are eligible for stipends since the township is saving money on benefit premiums. Pursuant to O.R.C. § 505.603, individuals in that situation, based upon the Township policy, are permitted to receive a "cash payment in lieu of a benefit otherwise offered to Township officers and employees."

O.R.C. § 505.603 provides as follows:

“After first adopting a policy authorizing an officer or an employee to receive a cash benefit in lieu of a benefit otherwise offered to the Township’s officers or employees under any of those sections, but only if the cash payment does not exceed 25% of the cost of the premiums or payments that otherwise would be paid by the Board for benefits for the officer or employee under the offered policy contract or plan.”

ORC 505.603 is a remedial statute in that it provides a policy or procedure. Remedial statutes are to be interpreted liberally pursuant to ORC 1.11.

The object of this statute is to provide a stipend to employees who have provided a financial benefit to the Township by allowing benefits to be paid by another party. The formula provided within the statute must also be liberally construed. The position taken by the Auditor is not a liberal interpretation.

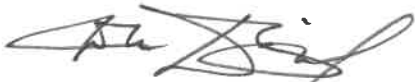
The Auditor reads this section to suggest that the General Assembly meant to say that the stipend can only be based upon 25% of the amount actually paid by the Township. Unfortunately, the statute provides an option based upon cost of the premium itself, or payments that otherwise would be paid by the Board. Had the General Assembly intended to restrict the stipend to only the actual payment made by the public entity, the statute would not have included a specific reference to the “cost of the premiums.” The statute would have simply stated that the stipend must be based upon “payments that otherwise would be paid by the Board for benefits for the officer or employee under the offered policy contract or plan.” Regarding statutory construction and interpretation, O.R.C. § 1.51 is helpful:

If a general provision conflicts with a special or local provision, they shall be construed, if possible, so that effect is given to both.

In this situation, the statute should be read to provide effect of allowing the public entity to pay either the cost of the premium or the amount actually paid. In either situation, there is a substantial savings of taxpayer funds. The Township receives a financial windfall when an employee elects to have benefits paid by another insurance provider and does not encumber the Township with that cost. The Township is thus permitted to pay 25% of the cost of the premiums or what otherwise would have been paid for the cost of the benefits as a stipend to the employee which is still a substantial savings to the Township.

In addition, the issues raised in this finding was the subject of several audits without question, and now that the correction has been made, the finding under these circumstances is inappropriate and should be voided.

Thanks in advance for your consideration!



John Dalziel
Brimfield Township Fiscal Officer

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

Auditor of State's Conclusion:

The relevant language of Ohio Rev. Code § 505.603 states “a board of township trustees may offer benefits to officers and employees through a cafeteria plan . . . only if the cash payment does not exceed twenty-five per cent of the cost of premiums or payments *that otherwise would be paid by the board for benefits for the officer or employee under an offered policy, contract, or plan.*” Given that the Township offered an insurance plan, the Board would have been required to pay a portion of the officer/employee's premiums under the Township's offered insurance plan if the officer/employee elected not to receive a cash stipend in lieu of benefits. Therefore, the twenty-five percent cap on the cash stipend, as outlined in the relevant statutory language, would be derived from the amount the Board would have been required to pay if the officer/employee was enrolled in the Township insurance plan (i.e., the portion premiums the Board would have been required to pay under the Township's insurance plan). Correspondingly, the twenty-five percent cap on the cash stipend would not be derived from amounts the Board was not required to pay under the Township's offered insurance plan (i.e., the portion of the premium that was to be paid by the officer/employee). Lastly, the statute uses the language “*premiums or payments that otherwise would be paid by the board for benefits for the officer or employee under an offered policy, contract, or plan,*” simply to account for the possibility that a township could offer benefits that do not require its board to pay premiums (for example, Ohio Rev. Code § 505.601 allows the township to offer a *reimbursement* to an officer/employee for out-of-pocket premiums when the township doesn't offer an insurance plan/policy). However, in the present matter, the Township offered an insurance plan, therefore, the Board was only responsible for paying a portion of the officer/employee's premium when the officer/employee didn't elect to take the cash stipend in lieu of benefits.

For the above reasons, the Official's Response did not change our interpretation of Ohio Rev. Code § 505.603. We stand by our interpretation that the stipends in lieu of health insurance benefits should not exceed twenty-five percent of the cost of premiums or payments that would have otherwise been paid by the Board.

4. Financial Reporting

FINDING NUMBER 2020-004

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.

GASB Statement 54 states, in part, encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed or assigned fund balance, as appropriate. Additionally, when the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

The Township had the following financial statement misclassifications:

2019:

- Misclassifications of disbursements for various purchases and debt payments in the UAN accounting system resulted in the following errors:
 - General government disbursements were overstated by \$54,090 and principal and interest disbursements were understated by \$36,548 and \$17,542, respectively, in the General fund.
 - Other financing uses were overstated by \$172,913 and capital outlay, public safety, principal retirement and interest disbursements were understated by \$74,923, \$16,847, \$78,132 and \$3,011, respectively, in the Special Revenue funds.
- Misclassifications of homestead and rollback receipts, joint economic development district receipts, local government fund receipts and other intergovernmental receipts resulted in the following errors:
- Overstatements of property and other local taxes receipts and miscellaneous receipts of \$247,729 and \$88,638, respectively, and a \$336,367 understatement of intergovernmental receipts in the General fund.
- Overstatements of property and other local taxes receipts and miscellaneous receipts of \$451,196 and \$736,635, respectively, and a \$1,187,831 understatement of intergovernmental receipts in the Special Revenue funds.
- Mispastings of fire department licenses, permits and fees receipts into the general fund instead of the special levy fire fund. This resulted in a \$19,480 overstatement of cash and license, permits and fees receipts in the General fund and a \$19,480 understatement of cash and licenses, permits and fees receipt in the Special Revenue funds. The accounting system was corrected for these mispostings.
- Road department capital leases were paid from the General Bond/Note Retirement fund, which is not an allowable expenditure. These payments were adjusted to be paid from the Special Levy - Road Levy fund in the accounting system. This also resulted in principal retirement, interest and fiscal charges and cash being overstated by \$71,364, \$6,028 and \$77,392 in the Debt Service fund and understated by these amounts in the Special Revenue funds.
- Property tax receipts were posted at the receipt net of fees amount instead of recording the gross receipts and related collection fees. This resulted in understatements of property tax and other local taxes receipts, public works disbursements and public safety disbursements in the

Special Revenue funds of \$67,425, \$11,476 and \$55,949, respectively.

- Proceeds and related capital outlay disbursements for new leases were not recorded in the Township's accounting system, resulting in understatements of Other Financing Receipts and Capital Outlay disbursements of \$371,684 in the Capital Projects funds.
- The Township did not report assigned fund balance in the General fund in accordance with GASB 54 in for the year-end carryover encumbrances of \$52,712 and the General fund 2019 year-end unencumbered carryover fund balance of \$96,616 for the General fund 2020 appropriations in excess of General fund 2020 estimated revenues, This resulted in an understatement of assigned fund balance and an overstatement of unassigned fund balance of \$149,328 in the General fund.

2020:

- Misclassifications of homestead and rollback receipts, joint economic development district receipts, local government fund receipts and other intergovernmental receipts resulted in the following errors:
- Overstatements of property and other local taxes receipts and miscellaneous receipts of \$85,973 and \$36,427, respectively, and a \$122,400 understatement of intergovernmental receipts in the General fund.
- Overstatements of property and other local taxes receipts and miscellaneous receipts of \$460,488 and \$814,999, respectively, and a \$1,275,487 understatement of intergovernmental receipts in the Special Revenue funds.
- Proceeds and related capital outlay disbursements for a new lease and a bond issuance were not recorded in the Township's accounting system, resulting in understatements of Other Financing Receipts and Capital Outlay disbursements of \$137,128 in the Capital Projects funds.
- Property tax receipts were posted at the receipt net of fees amount instead of recording the gross receipts and related collection fees. This resulted in understatements of property tax and other local taxes receipts, public works disbursements and public safety disbursements in the Special Revenue funds of \$68,213, \$11,594 and \$56,619, respectively.
- A road department capital lease and ambulance lease were paid from the General Bond/Note Retirement fund, which is not an allowable expenditure for that fund. These payments were adjusted to be paid from the Special Levy - Road Levy fund and the Ambulance and Emergency Medical Services fund in the accounting system. This also resulted in principal retirement, interest and fiscal charges and cash being overstated by \$56,326, \$11,980 and \$68,306 in the Debt Service fund and understated by these amounts in the Special Revenue funds.
- One deposit in transit was posted as a receipt a second time rather than clearing the outstanding deposit in transit in the accounting system. This resulted in a \$26,897 overstatement of intergovernmental receipts and cash in the Special Revenue funds. The accounting system was adjusted to remove the duplicate posting and related reconciling item.

The Township had no management oversight procedures or policies in place to ensure transactions were properly posted.

The financial statements have been adjusted to reflect correction of these errors.

To help ensure complete and accurate financial reporting, the Fiscal Officer should closely monitor all receipts and disbursements to ensure amounts are posted to the proper funds and accounts and refer to the Ohio Township Handbook when necessary to help ensure proper funds and accounts are being used. Additionally, the Township should report all fund balance with assigned resources as assigned fund balance on the Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances.

Official's Response: We did not receive a response from Officials to this finding.

5. **Budgetary Note Misstatements**

FINDING NUMBER 2020-005

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.

Additionally, sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board of Trustees to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board of Trustees are precisely stated and accurately posted to the appropriation ledger.

The original Certificate of Estimated Resources and subsequent amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The approved Certificate of Estimated Resources (and/or amendments thereof) were not properly posted to the accounting system in 2019 nor 2020. Also the following errors were noted in Note 3 of the financial statements regarding "Budgetary Activity"

During 2019:

- General fund and Special Revenue funds budgeted receipts per the budgetary note were reported at \$1,256,444 and \$6,298,282 rather than \$1,145,318 and \$6,340,495, respectively, which agrees to the Amended Official Certificate of Estimated Resources.
- General fund, Special Revenue funds and Capital Project fund actual receipts per the budgetary note were reported at \$1,388,570, \$6,092,805 and \$0 rather than \$1,369,090, \$6,179,710 and \$371,684, respectively, which agrees to the accounting system after the posting of audit adjustments.
- General fund and Special Revenue funds appropriation authority per the budgetary note were reported at \$1,364,215 and \$7,618,452 rather than \$1,421,593 and \$7,900,539, respectively, which agrees to the Appropriation Resolution.
- General fund, Special Revenue funds, Debt Service fund and Capital Project fund budgetary expenditures per the budgetary note were reported at \$1,301,527, \$5,642,731, \$125,577 and \$0 rather than \$1,387,924, \$6,054,440, \$48,185 and \$371,684, respectively, which agrees to the accounting system after the posting of audit adjustments.

During 2020:

- Special Revenue funds and Capital Project fund actual receipts per the budgetary note were reported at \$6,828,796 and \$0 rather than \$6,816,246 and \$137,128, respectively, which agrees to the accounting system after the posting of audit adjustments.
- General fund and Special Revenue funds appropriation authority per the budgetary note were reported at \$1,387,497 and \$8,938,075 rather than \$1,367,881 and \$8,735,019, respectively, which agrees to the Appropriation Resolution.
- Special Revenue funds, Debt Service fund and Capital Project fund budgetary expenditures per the budgetary note were reported at \$6,382,157, \$126,426 and \$0 rather than \$6,458,366, \$58,120 and \$137,128 respectively, which agrees to the accounting system after the posting of audit adjustments.

Budgetary information disclosed in the notes to the financial statements should reflect the Township's actual budgetary activity through the fiscal year. The errors were caused by a lack of management procedures or policies in place to help ensure the accurate presentation of note disclosure information and management's failure to post the amended budgetary activity to the accounting system.

The Township's budgetary information within Note 3 of the financial statements has been corrected for the above errors.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Trustees. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Official's Response: We did not receive a response from Officials to this finding.

Brimfield Township

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2020 AND 2019

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|---------------|--|
| 2018-001 | Ohio Rev. Code Section 5705.41(B) - Budgetary expenditures exceeded appropriations. | Not Corrected | Repeated as Finding 2020-002. |
| 2018-002 | Ohio Rev. Code 5705.39 - appropriations exceeded estimate resources | Corrected | Finding no longer valid. |
| 2018-003 | Insufficient Segregation of Duties | Corrected | Finding no longer valid. |
| 2018-004 | Repeated from 2013-001. Ohio Rev. Code Section 5705.05 - numerous debt activity classification errors and 2013-005 Numerous financial statement classification errors. | Not Corrected | Repeated as Findings 2020-001 and 2020-004 |
| 2018-005 | Posting Budgetary Amounts | Not Corrected | Repeated as Finding 2020-005 |

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OHIO AUDITOR OF STATE KEITH FABER



BRIMFIELD TOWNSHIP

PORTAGE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/1/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov