



Dave Yost • Auditor of State



LEESBURG TOWNSHIP  
UNION COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Leesburg Township  
Union County  
10141 Hopewell Road  
Marysville, Ohio 43040

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Leesburg Township, Union County, Ohio, (the Township) as of and for the years ended December 31, 2016 and 2015.

### ***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 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, 2016 and 2015, or 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 combined cash balances of Leesburg Township, Union County, Ohio as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2017 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 22, 2017

**LEESBURG TOWNSHIP  
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and other local taxes	\$ 18,138	\$ 121,781	\$ 139,919
Licenses, permits and fees	1,800	2,825	4,625
Intergovernmental	20,196	104,321	124,517
Earnings on Investments	628	1,073	1,701
Miscellaneous	-	453	453
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	40,762	230,453	271,215
<b>Cash Disbursements:</b>			
Current:			
General Government	13,347	4,656	18,003
Public Safety	294	67,780	68,074
Public Works	-	35,131	35,131
Health	5,958	8,016	13,974
Conservation - Recreation	1,390	-	1,390
Capital Outlay	-	189,966	189,966
Debt Service:			
Principal Retirement	-	43,466	43,466
Interest and Other Fiscal Charges	-	3,012	3,012
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	20,989	352,027	373,016
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	19,773	(121,574)	(101,801)
<b>Other Financing Receipts:</b>			
Other Debt Proceeds	-	90,000	90,000
Sale of Fixed Assets	13,500	-	13,500
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	13,500	90,000	103,500
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	33,273	(31,574)	1,699
Fund Cash Balance, January 1	<hr/>	<hr/>	<hr/>
	59,871	463,609	523,480
<b>Fund Cash Balance, December 31</b>			
Restricted	-	432,035	432,035
Assigned	45,285	-	45,285
Unassigned	47,859	-	47,859
<b>Fund Cash Balance, December 31</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 93,144	\$ 432,035	\$ 525,179

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

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**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Leesburg Township, Union 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 of township roadways, cemetery maintenance, fire protection and emergency medical services. The Township provides fire and emergency medical services via the Leesburg Township Volunteer Fire Department. Emergency services are funded by a property tax levy.

The Township participates in the LUC (Logan Union Champaign) Regional Planning Commission, a jointly governed organization. The township participates in the Ohio Plan Risk Management public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

***Gasoline Tax Fund*** The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

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

***Fire District Fund*** The fire district fund receives property tax money to provide fire protection and emergency medical services to Township residents

**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2016 budgetary activity appears in Note 3.

***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.

**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,490	\$54,309	\$13,819
Special Revenue	227,480	320,406	92,926
Total	\$267,970	\$374,715	\$106,745

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,050	\$21,095	\$23,955
Special Revenue	610,550	352,685	257,865
Total	\$655,600	\$373,780	\$281,820

**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 4 – Deposits and Investments**

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

	<u>2016</u>
Demand Deposits	\$525,179

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

At December 31, 2016, all deposits were insured or collateralized.

**Note 5 – Property Taxes**

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

**Note 6 - Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 - Risk Management (Continued)**

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

During 2016, the Township was not required to pay for any losses that exceeded insurance coverage.

Changes in insurance coverage from the prior year were immaterial and dealt with changes of number and value of vehicles and fire radios.

**Note 7 - Defined Benefit Pension Plans**

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, 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, 2016.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Richwood Bank Note #71005479 purchase of Fire Truck	\$71,534	3.50%
Richwood Bank Note #569918 Construct Township Building	20,206	4.00%
Total	<u>\$91,740</u>	

The fire engine loan purchased a used engine for the Leesburg Township Volunteer Fire Department.

Construction loan is the remaining balance of a \$500,000 loan to build the fire house and township hall building at 12985 St Rt 347, Marysville, Ohio.

***Amortization***

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

Year ending December 31:	Fire Truck Payment	Township Hall/ Firehouse Payment
2017	\$19,476	\$19,707
2018	19,476	1,168
2019	19,476	
2020	19,476	
Total	<u>\$77,904</u>	<u>\$20,875</u>

**Note 10 - Jointly Governed Organizations**

Leesburg Township participates in the LUC Regional Planning Commission which is a statutorily created political subdivision of the State. The Commission is jointly governed by Logan, Union, and Champaign Counties and the cities of Bellefontaine, Marysville, and Urbana. Each members' control over the operation of the Commission is limited to its representation on the Board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the entities involved. The Township contributed \$772.85 in 2016 toward the operating expenses. Union County is the fiscal agent for the Commission. Additional information may be obtained by writing to the LUC Regional Planning Commission, P.O. Box 219, East Liberty, Ohio 43319.

**LEESBURG TOWNSHIP  
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and other local taxes	\$ 17,602	\$ 117,918	\$ 135,520
Licenses, permits and fees	1,575	1,877	3,452
Intergovernmental	21,370	104,941	126,311
Earnings on Investments	565	934	1,499
Miscellaneous	-	4,847	4,847
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	41,112	230,517	271,629
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	17,743	2,290	20,033
Public Safety	-	60,416	60,416
Public Works	-	41,467	41,467
Health	9,257	1,160	10,417
Conservation - Recreation	552	-	552
Capital Outlay	-	13,272	13,272
Debt Service:			
Principal Retirement	-	25,000	25,000
Interest and Other Fiscal Charges	-	2,935	2,935
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	27,552	146,540	174,092
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	13,560	83,977	97,537
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In	-	2,000	2,000
Transfers-Out	(2,000)	-	(2,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(2,000)	2,000	-
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements And Other Financing Disbursements	11,560	85,977	97,537
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, January 1	48,311	377,632	425,943
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balance, December 31</b>			
Restricted	-	463,609	463,609
Assigned	4,560	-	4,560
Unassigned	55,311	-	55,311
<b>Fund Cash Balance, December 31</b>	<u>\$ 59,871</u>	<u>\$ 463,609</u>	<u>\$ 523,480</u>

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

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**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 – Reporting Entity**

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The Township participates in the LUC (Logan Union Champaign) Regional Planning Commission, a jointly governed organization. The Township participates in the Ohio Plan Risk Management public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2015 budgetary activity appears in Note 3.

***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.

**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,706	\$41,112	(\$1,594)
Special Revenue	\$224,635	\$232,518	\$7,883
Total	\$267,341	\$273,630	\$6,289
2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,200	\$29,552	\$14,648
Special Revenue:	535,300	146,540	388,760
Total	\$579,500	\$176,092	\$403,408

**Note 4 – Deposits**

The Township maintains a deposit pool which all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 2015 was as follows:

	2015
Demand deposits	\$523,480

**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 4 – Deposits (Continued)**

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

At December 31, 2015, all deposits were insured or collateralized.

**Note 5 – Property Taxes**

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

**Note 6 - Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 6 - Risk Management (Continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

***Commercial Insurance***

The Township has obtained commercial insurance for the following risks:

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

During 2015, the Township was not required to pay for any losses that exceeded insurance coverage.

Changes in insurance coverage from the prior year were immaterial and dealt with changes of number and value of vehicles and fire radios.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, 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, 2015.

**Leesburg Township**  
*Union County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Richwood Bank Note #569918	45,206	4.00%
Construct Township Building	45,206	
Total	\$45,206	

Construction loan is the remaining balance of a \$500,000 loan to build the fire house and township hall building at 12985 St Rt 347, Marysville, Ohio. Final payment on this loan will occur in 2017.

***Amortization***

Amortization of the above debt, including interest, is scheduled as follows: Although the repayment schedule is as-listed, the Township has been paying no less than \$25,000 of principal, annually, on this debt, and anticipates full payoff in 2017.

	Township Hall/ Firehouse Payment
Year ending December 31:	
2016	\$19,707
2017	19,707
2018	5,792
Total	\$45,206

**Note 10 - Jointly Governed Organizations**

Leesburg Township participates in the LUC Regional Planning Commission (the “Commission”) which is a statutorily created political subdivision of the State. The Commission is jointly governed by Logan, Union, and Champaign Counties and the cities of Bellefontaine, Marysville, and Urbana. Each members’ control over the operation of the Commission is limited to its representation on the Board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the entities involved. The Township contributed \$763.10 in 2015 toward the operating expenses. Union County is the fiscal agent for the Commission. Additional information may be obtained by writing to the LUC Regional Planning Commission, P.O. Box 219, East Liberty, Ohio 43319.



# Dave Yost • Auditor of State

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

Leesburg Township  
Union County  
10141 Hopewell Road  
Marysville, Ohio 43040

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Leesburg Township, Union County, Ohio, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 22, 2017, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-004 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-003.

***Township's Responses to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses 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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 22, 2017



**LEESBURG TOWNSHIP  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

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

**FINDING NUMBER 2016-001**

**Use of Revenues – Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.10(D)** states that all revenue derived from a source other than the general property tax which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further **Ohio Rev. Code § 5705.10(I)** states that money paid into any fund shall be used only for the purposes for which such fund was established.

The Township posted revenues and expenses to incorrect funds as follows:

Description	Year	Amount
Licenses, Permits and Fees recorded within the General Fund should have been recorded within the Cemetery Special Revenue Fund	2015	\$400
Disbursements recorded within the Gasoline Tax Special Revenue Fund should have been recorded within the General Fund	2015	\$450
	2016	\$1,664
Property and Other Local Taxes within the Fire District Special Revenue Fund should have been recorded within the General Fund	2016	\$7,722
Property Tax Revenue within the General Fund should have been recorded as Intergovernmental Revenue within the Fire District Special Revenue Fund	2016	\$55
Intergovernmental Revenue within the Gasoline Tax Special Revenue Fund should have been recorded within the General Fund	2016	\$1,124
Disbursements recorded within the General Fund should have been recorded within the Fire District Special Revenue Fund	2016	\$1,035
Disbursements recorded within the Gasoline Tax Special Revenue Fund should have been recorded within the Cemetery Special Revenue Fund.	2016	\$2,429

The above entries were adjusted to the Township's financial statements and accounting records.

Failure to properly monitor receipt and disbursement posting can result in overspending and negative fund balances.

We recommend the Township monitor revenues, disbursements, and fund balances to ensure revenues are posted to the proper funds and expenditures are made within appropriated levels of available funds for proper expenditures within the allowable uses of revenues received. If negative fund balances are anticipated, the Trustees should make an approved transfer or advances of funds to cover the necessary expenditures.

**Officials' Response:** This issue will improve as the current Fiscal Officer gains experience.

**LEESBURG TOWNSHIP  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-002**

**Unallowable Debt - Noncompliance**

**Ohio Rev. Code Chapter 133** allows various methods for subdivisions to incur debt. Townships can only obtain debt by issuing general obligation debt or lease-purchase options. Townships do not have authority to take out a bank loan because “bank loans” are not a statutorily permitted form of debt for townships. However, Townships have the authority to issue securities under Ohio Rev. Code Chapter 133. Townships may not obtain debt by solely collateralizing equipment or property but must pledge the full faith and credit of the township as outlined under **Ohio Rev. Code § 5549.021**, the exception being securing equipment by lease-purchase option under **Ohio Rev. Code § 505.267**.

The Township has two promissory notes through Richwood Bank in the amount of \$500,000 to finance the construction of the Township Hall/Firehouse and in the amount of \$90,000 to purchase a fire truck. These notes contain covenants requiring the Township to maintain their financial records in accordance with generally accepted accounting principles and file annual financial information with the lender.

This type of debt is not authorized under Ohio Rev. Code Chapter 133. Further, the Township has not complied with either of these covenants, nor obtained a waiver from the lender for compliance with these covenants.

The Ohio Revised Code contains limited methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships. Failure to comply with debt covenants could result in the lender calling the debt immediately.

We recommend the Township contact its legal counsel before incurring future debt to ensure the debt is a form authorized by the Ohio Revised Code. Additionally, we recommend the Township ensure they comply with all debt covenants, or obtain a waiver from the lender.

**Officials’ Response:** The Township will comply going forward. The firehouse loan will be paid off before the end of 2017 as the balance is now just over \$1,000. Regarding the loan covenants, the bank has not monitored this issue and has not requested a Certificate of Compliance. As suggested, the Township will contact legal counsel before incurring any further debt obligation.

**LEESBURG TOWNSHIP  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-003**

**Employee vs. Independent Contractor Status - Noncompliance**

**IRS Publication 15(a) Section 2** states generally an employer must withhold and pay federal income tax, social security and Medicare taxes, and pay unemployment taxes on wages paid to an employee. This is generally not the case with an independent contractor. However, to determine whether an individual is an employee or an independent contractor, under common law, the relationship of the worker and the business must be examined. Facts that provide the evidence of the degree of control and degree of independence must be considered.

The Township has employees that are being compensated as if they were independent contractors for various duties. The Township has contracts to fill the position of Zoning Inspector, Fire Chief, Assistant Fire Chiefs, and Fire Station Medical Director. The personnel hired for these positions are being paid as independent contractors. Although the contract may demonstrate the intention of the parties, it alone does not define the type of business relationship. The Township has not performed an evaluation to determine if these individuals should be treated as an employee or an independent contractor.

Payment of an individual as an independent contractor instead of an employee results in benefits not being paid or offered and taxes not being withheld from wages. If an entity classified an employee as an independent contractor and has no reasonable basis for doing so, they can be liable for employment taxes for that worker.

We recommend the Township make evaluations using the guidance noted in IRS Publication 15(a) before declaring any worker an employee or independent contractor upon soliciting their services. In the event that such worker is considered an independent contractor, the Township should have evidence to support the determination in line with the criteria as defined in the IRS Publication 15(a).

This matter will be referred to the Internal Revenue Service.

**Officials' Response:** The Township will review each of the named contractors under IRS Publication 15(a).

**FINDING NUMBER 2016-004**

**Financial Reporting – Material Weakness**

Sound financial reporting is the responsibility of the Township's Fiscal Officer and Township Trustees and is essential to ensure information provided to the readers of the financial statements is complete and accurate. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

**LEESBURG TOWNSHIP  
UNION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2016-004 (Continued)**

**Financial Reporting – Material Weakness (Continued)**

In addition to the adjustments noted in Finding 2016-001, the following were posted to the financial statements and to the Township's accounting records:

Description	2015	2016
Reclassification of Intergovernmental Revenue from Property and Other Local Taxes	General Fund - \$2,582 Special Revenue - \$17,046	Special Revenue - \$16,905
Adjustment to record Transfers Out within General Fund and Transfers In within Motor Vehicle Tax Special Revenue Fund	\$2,000	
Reclassification within the General Fund of Unassigned Fund Balance to Assigned Fund Balance	\$4,560	\$45,285
Reclassification of Principal and Interest disbursements within the Fire District Special Revenue Fund from Capital Outlay	\$25,000 Principal and \$2,935 Interest	\$43,466 Principal and \$3,012 Interest
Reclassification of Property and Other Local Taxes from Intergovernmental Revenue within the General Fund		\$7,834
Reclassification of Sales of Capital Assets from Transfers In within the General Fund		\$13,500
Reclassification of Miscellaneous Revenue from Transfer In within the Fire District Special Revenue Fund		\$453
Adjustment to record Capital Outlay and Loan Proceeds within the Fire District Special Revenue Fund		\$90,000

In addition to the items noted listed above, we also identified additional misstatements ranging from \$22 to \$4,847 that we have brought to the Township's attention.

Lack or failure of controls in place over the posting of financial transactions and financial reporting can result in errors that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. In addition, the Township should review AOS Bulletin 2011-004 for guidance on GASB Statement No. 54 requirements. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

**Officials' Response:** AOS Bulletin 2011-004 will be reviewed and improvements will be made.



# Dave Yost • Auditor of State

**LEESBURG TOWNSHIP**

**UNION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 10, 2017**