



Dave Yost • Auditor of State

**XENIA TOWNSHIP
GREENE COUNTY**

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Dave Yost • Auditor of State

Xenia Township
Greene County
8 Brush Row Road
Xenia, Ohio 45385

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 16, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Xenia Township
Greene County
8 Brush Row Road
Xenia, Ohio 45385

To the Board of Trustees:

We have audited the accompanying financial statements of Xenia Township, Greene County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Xenia Township, Greene County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

For the years ended December 31, 2011 and 2010, the Township revised its financial presentation from that comparable to requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and MD&A – for States and Local Governments*, to a format the Auditor of State prescribes or permits.

As described in Note 1, during 2011 the Xenia Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

August 16, 2012

**XENIA TOWNSHIP
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Cash Receipts:					
Property and Other Local Taxes	\$70,737	\$839,734	\$64,904		\$975,375
Charges for Services		241,281			241,281
Licenses, Permits and Fees	64,555				64,555
Intergovernmental	403,519	301,379			704,898
Special Assessments		17,570			17,570
Earnings on Investments		9			9
Miscellaneous	21,690	1,397			23,087
Total Cash Receipts	560,501	1,401,370	64,904		2,026,775
Cash Disbursements:					
Current:					
General Government	320,666				320,666
Public Safety		726,113			726,113
Public Works		467,027			467,027
Health	6,440				6,440
Capital Outlay	95,182	197,701			292,883
Debt Service:					
Principal Retirement			61,819		61,819
Interest and Fiscal Charges			3,085		3,085
Total Cash Disbursements	422,288	1,390,841	64,904		1,878,033
Total Receipts Over/(Under) Disbursements	138,213	10,529			148,742
Other Financing Receipts/(Disbursements):					
Other Financing Uses	(156)				(156)
Total Other Financing Receipts/(Disbursements)	(156)				(156)
Net Change in Fund Cash Balances	138,057	10,529			148,586
Fund Cash Balance, January 1	683,315	863,457		\$74,728	1,621,500
Fund Cash Balance, December 31:					
Restricted		724,810			724,810
Committed		149,176		74,728	223,904
Unassigned (Deficit)	821,372				821,372
Fund Cash Balance, December 31	\$821,372	\$873,986	\$0	\$74,728	\$1,770,086

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

**XENIA TOWNSHIP
GREENE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$70,973	\$846,582	\$64,904		\$982,459
Charges for Services		252,193			252,193
Licenses, Permits, and Fees	61,544				61,544
Intergovernmental	243,261	352,180			595,441
Special Assessments		17,105			17,105
Earnings on Investments		23			23
Miscellaneous	17,234	9,117			26,351
Total Cash Receipts	<u>393,012</u>	<u>1,477,200</u>	<u>64,904</u>		<u>1,935,116</u>
Cash Disbursements:					
Current:					
General Government	361,945	611			362,556
Public Safety		726,136			726,136
Public Works		576,743			576,743
Health	12,563				12,563
Capital Outlay	37,468	305,833			343,301
Debt Service:					
Redemption of Principal			58,881		58,881
Interest and Other Fiscal Charges			6,023		6,023
Total Cash Disbursements	<u>411,976</u>	<u>1,609,323</u>	<u>64,904</u>		<u>2,086,203</u>
Total Receipts Over/(Under) Disbursements	<u>(18,964)</u>	<u>(132,123)</u>			<u>(151,087)</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets		2,790			2,790
Transfers-In				\$37,285	37,285
Transfers-Out	(37,285)				(37,285)
Total Other Financing Receipts/(Disbursements)	<u>(37,285)</u>	<u>2,790</u>		<u>37,285</u>	<u>2,790</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	<u>(56,249)</u>	<u>(129,333)</u>		<u>37,285</u>	<u>(148,297)</u>
Fund Cash Balance, January 1	<u>739,564</u>	<u>992,790</u>		<u>37,443</u>	<u>1,769,797</u>
Fund Cash Balance, December 31	<u>\$683,315</u>	<u>\$863,457</u>	<u>\$0</u>	<u>\$74,728</u>	<u>\$1,621,500</u>
Reserve for Encumbrances, December 31	<u>\$107,695</u>	<u>\$61,375</u>	<u>\$0</u>	<u>\$0</u>	<u>\$169,070</u>

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

**XENIA TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Township participates in one jointly governed organization. Note 7 to the financial statements provides additional information for this entity. This organization is:

Joint Economic Development District (JEDD): The Township entered into a Joint Economic Development District (JEDD) with the City of Xenia in 2011. The purpose of the 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, the County of Greene, the Township, the City, and the District.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

C. 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.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**XENIA TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Fire District Fund - This fund receives property tax money for providing fire protection to the Township.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Fire Truck Fund - The Township receives revenue in this fund from the County for loan payments related to a loan obtained in 2006 to purchase a new fire truck.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Dump Trucks Fund - The Township transfers money from the General Fund to this fund each year. The money is accumulated and used to purchase new dump trucks.

E. Budgetary Process

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

1. 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. 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 2011 and 2010 budgetary activity appears in Note 3.

**XENIA TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

For December 31, 2011, 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:

1. Non-spendable

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

2. 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.

3. 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.

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

H. 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.

**XENIA TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2011	2010
Demand deposits	\$1,770,086	\$1,621,500

Deposits: Deposits are partially insured by the Federal Depository Insurance Corporation and partially collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 299,246	\$ 560,501	\$261,255
Special Revenue	1,462,826	1,401,370	(61,456)
Debt Service	64,904	64,904	
Capital Projects	37,285		(37,285)
Total	\$1,864,261	\$2,026,775	\$162,514

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$979,232	\$439,655	\$539,577
Special Revenue	2,305,256	1,419,729	885,527
Debt Service	64,904	64,904	
Capital Projects	112,014		112,014
Total	\$3,461,406	\$1,924,288	\$1,537,118

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 298,573	\$ 393,012	\$94,439
Special Revenue	1,506,894	1,479,990	(26,904)
Debt Service	64,904	64,904	
Capital Projects	37,285	37,285	
Total	\$1,907,656	\$1,975,191	\$67,535

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,024,829	\$ 556,956	\$ 467,873
Special Revenue	2,430,144	1,670,698	759,446
Debt Service	64,904	64,904	
Capital Projects	74,728		74,728
Total	\$3,594,605	\$2,292,558	\$1,302,047

**XENIA TOWNSHIP
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. PROPERTY TAX

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.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Township's certified full-time Fire Fighters belong to the Police and Fire Pension Fund (OP&F). The only full-time fire fighter from January 1, 2010 – December 31, 2011 was the Fire Chief. Full-time employees, trustees, the fiscal officer, the fiscal assistant, and the secretary belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2011 and 2010, 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, 2011.

All other employees of the Township pay into Social Security.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

7. JOINTLY GOVERNED ORGANIZATION

Xenia Township – City of Xenia Joint Economic Development District (JEDD): The Township entered into the JEDD agreement with the City of Xenia on January 14, 2011. The JEDD was intended to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the County of Greene, the Township, the City, and the District. The Township appoints one of five board members to serve on the Board of Directors of the JEDD.

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

Xenia Township
Greene County
8 Brush Row Road
Xenia, Ohio 45385

To the Board of Trustees:

We have audited the financial statements of Xenia Township (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 16, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Our opinion also explained that the Township revised its financial statement presentation from that comparable to *Government Accounting Standards No. 34* to a format Auditor of State prescribes or permits and that the Township adopted *Governmental Accounting Standard No. 54* for the year ended December 31, 2011. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 16, 2012.

We intend this report solely for the information and use of management, the Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

August 16, 2012

**XENIA TOWNSHIP
GREENE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

NONCOMPLIANCE

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Additionally, the Township's credit card policy states that employees must provide the original receipts for approval by the approving authority.

The following issues were noted during testing of non-payroll expenditures for the Township:

- Check #11663 for \$3,075, paid on 5/12/10 to Keybank for credit card purchases included three purchases for restaurant charges totaling \$130 and were not supported by an itemized receipt;
- Check #12447 for \$3,270, paid on 3/22/11 to Keybank for credit card purchases included \$1,930 in charges related to a fire training and did not have supporting documentation;
- Check #12593 for \$2,970, paid on 4/8/11 to Keybank for credit card purchases included five purchases for restaurant charges totaling \$192 that were not supported by an itemized receipt. One of the purchases for \$128 did not have any supporting documentation;
- Check #12635 for \$1,051 paid on 5/10/11 to Trupointe for propane and road supplies included \$40 in finance charges for late payment. Finance charges are not considered a proper public purpose
- Check #12798 for \$810, paid on 6/23/11 to a Township employee for tuition reimbursement for classes taken at Sinclair Community College. The Township did not have supporting documentation for this payment. The Township was able to obtain supporting documentation when this payment was questioned during the audit.

There was no documentation that these expenditures were for a proper public purpose.

Policies should be established and procedures implemented to provide that all supporting documentation is maintained for all disbursements and that all bills are timely paid to avoid finance charges. The Township should also use itemized receipts as support for purchases so that there is documentation on what was purchased. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Township's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

FINDING NUMBER 2011-002

MATERIAL WEAKNESS

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned. Following is brief description of fund balance classifications used by the Township per the GASB statement:

Restricted Fund Balance is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation. (GASB 54 ¶8)

Committed Fund Balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. (GASB 54 ¶10)

Assigned Fund Balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed (GASB 54 ¶13).

Unassigned Fund Balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB 54 ¶17).

The Township's Road and Bridge Fund received tax proceeds from a 2.3 inside mil levy in accordance with Ohio Rev. Code Section 5705.06(F). The restriction on funds received from inside millage was internally imposed by the Trustees and in accordance with paragraph 10 of statement number 54, and therefore the Road and Bridge fund balance should have been reported as committed. The Township reported \$149,176 in the December 31, 2011 Road and Bridge Fund balance as restricted instead of committed in the Special Revenue Funds.

The Township established a dump truck reserve fund in accordance with Ohio Rev. Code section 5705.13(C). The restrictions on use of this fund were internally imposed by the Trustees and the fund balance should have been reported as committed. The Township reported \$74,728 in December 31, 2011 dump truck fund balance as restricted instead of committed in the Capital Projects Funds.

Audit adjustments were required to properly present the committed fund balances on the accompanying financial statements.

With GASB 54 accounting for encumbrances remained the same; however, reserved for encumbrances no longer appears on the financial statements. Encumbered amounts are included in the restricted, committed, and assigned fund balance classifications. Issuing a purchase order assigns the amount of the purchase order to a specific purpose; thus, the outstanding encumbrance amount is included in assigned fund balance, unless the purchase order relates to restricted or committed resources. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. Encumbrances cannot further restrict or commit resources.

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(Continued)

The Township reported \$17,211 in general fund reserve for encumbrances at December 31, 2011 as unassigned fund balance instead of assigned. The misstatement was determined to be immaterial to the ending general fund balance and no adjustments have been made to the accompanying financial statements.

In addition to the above errors noted for fund balance presentation, the Township also misstated general fund special assessment receipts as follows:

During 2011 \$2,570 in special assessment revenue was reclassified as follows:

- \$183 was posted as tax revenue in the debt service fund. The misstatement was material to the debt service fund and the Township's accounting records and 2011 financial statements have been adjusted to reflect the revenue in the proper fund.
- \$220 was posted to the lightning assessment fund. The misstatement was immaterial to both general and lightning assessment funds and the financial statements have not been adjusted for the error.
- \$2,167 in special assessment revenue was posted as miscellaneous revenue in the general fund. The misstatement was determined to be immaterial to the general fund and no corrections have been made to the financial statements.

During 2010, the Township recorded \$2,823 in special assessment revenue as miscellaneous revenue. The error was determined to be immaterial to the General Fund and no audit adjustments were required.

Policies and procedures should be established and implemented to verify that the Township records all receipts in proper accounts and funds. Additionally, the District should refer to Auditor of State Bulletin 2011-004 regarding guidance related to GASB 54 fund balance classification. Failure to do so could result in material misstatements on the financial statements.

Official's Response:

We did not receive a response from Officials to the findings reported above.

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Dave Yost • Auditor of State

XENIA TOWNSHIP

GREENE 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
SEPTEMBER 25, 2012**