



Dave Yost • Auditor of State

**LANIER TOWNSHIP
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Private Purpose Trust - For the Year Ended December 31, 2011	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Private Purpose Trust - For the Year Ended December 31, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	23

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Dave Yost • Auditor of State

Lanier Township
Preble County
6151 Factory Road
West Alexandria, Ohio 45381

To the Township 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.

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Dave Yost
Auditor of State

April 12, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lanier Township
Preble County
6151 Factory Road
West Alexandria, Ohio 45381

To the Township Board of Trustees:

We have audited the accompanying financial statements of Lanier Township, Preble County, Ohio (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 of Lanier Township, Preble County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Lanier 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 April 12, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 12, 2012

**LANIER TOWNSHIP
PREBLE 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**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$32,588	\$221,497	\$254,085
Charges for Services		69,211	69,211
Licenses, Permits and Fees		36,371	36,371
Intergovernmental	277,491	131,626	409,117
Earnings on Investments	6,331	208	6,539
Miscellaneous	427	7,875	8,302
<i>Total Cash Receipts</i>	<u>316,837</u>	<u>466,788</u>	<u>783,625</u>
Cash Disbursements			
Current:			
General Government	104,497	16,152	120,649
Public Safety		176,454	176,454
Public Works		168,640	168,640
Health		69,537	69,537
<i>Total Cash Disbursements</i>	<u>104,497</u>	<u>430,783</u>	<u>535,280</u>
<i>Excess of Receipts Over Disbursements</i>	<u>212,340</u>	<u>36,005</u>	<u>248,345</u>
<i>Fund Cash Balances, January 1</i>	<u>22,660</u>	<u>674,112</u>	<u>696,772</u>
Fund Cash Balances, December 31			
Restricted	0	658,812	658,812
Committed	0	51,305	51,305
Unassigned (Deficit)	235,000	0	235,000
<i>Fund Cash Balances, December 31</i>	<u><u>\$235,000</u></u>	<u><u>\$710,117</u></u>	<u><u>\$945,117</u></u>

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

LANIER TOWNSHIP
PREBLE COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE - PRIVATE PURPOSE TRUST
FOR THE YEAR ENDED DECEMBER 31, 2011

Operating Cash Receipts	
Earnings on Investments	<u>\$74</u>
<i>Total Operating Cash Receipts</i>	<u>74</u>
Operating Cash Disbursements	
	<u>0</u>
<i>Total Operating Cash Disbursements</i>	<u>0</u>
<i>Operating Income</i>	<u>74</u>
<i>Net Change in Fund Cash Balances</i>	74
<i>Fund Cash Balance, January 1</i>	<u>4,094</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$4,168</u></u>

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

**LANIER TOWNSHIP
PREBLE 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>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$33,137	\$234,607	\$267,744
Charges for Services		67,674	67,674
Licenses, Permits, and Fees		20,562	20,562
Intergovernmental	36,371	135,257	171,628
Earnings on Investments	13,385	227	13,612
Miscellaneous	690	4,236	4,926
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	83,583	462,563	546,146
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	112,495	4,984	117,479
Public Safety		168,625	168,625
Public Works		225,571	225,571
Health		68,542	68,542
Debt Service:			
Redemption of Principal		32,194	32,194
Interest and Other Fiscal Charges		1,043	1,043
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	112,495	500,959	613,454
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(28,912)	(38,396)	(67,308)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	51,572	712,508	764,080
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$22,660	\$674,112	\$696,772
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LANIER TOWNSHIP
PREBLE COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE - PRIVATE PURPOSE TRUST
FOR THE YEAR ENDED DECEMBER 31, 2010

Operating Cash Receipts	
Earnings on Investments	<u>\$104</u>
<i>Total Operating Cash Receipts</i>	<u>104</u>
Operating Cash Disbursements	
	<u>0</u>
<i>Total Operating Cash Disbursements</i>	<u>0</u>
<i>Operating Income</i>	<u>104</u>
<i>Net Change in Fund Cash Balances</i>	104
<i>Fund Cash Balances, January 1</i>	<u>3,990</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,094</u></u>

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

**LANIER TOWNSHIP
PREBLE 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 Lanier Township, Preble County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of West Alexandria to provide the Township with fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool, which is available to Ohio townships. OTARMA provides property and casualty coverage for its members. Note 8 to the financial statements provides additional information for this entity.

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. Cash and Deposits

The Township values certificates of deposit at cost.

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:

**LANIER TOWNSHIP
PREBLE 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 and Rescue, Ambulance and EMS Service Fund - This fund receives property tax money to pay for the contract with the Village of West Alexandria to provide the Township with emergency medical services. This fund also receives charges for services.

3. Private Purpose Trust Fund

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.

The Township's private purpose trust fund is for the benefit of certain individuals. The Cemetery Bequest Fund is used to account for three cemetery bequests given to the Township. The bequests are maintained in certificates of deposit.

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township canceled \$5,415 in encumbrances at December 31, 2010 and re-encumbered these amounts in the subsequent year against current appropriations.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

**LANIER TOWNSHIP
PREBLE 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. Nonspendable

The Township classifies assets as *nonspendable* 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.

**LANIER TOWNSHIP
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

2. Change in Accounting Principle

For fiscal year 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 resulted in no changes in fund structure.

3. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$320,535	\$247,116
Certificates of deposit	628,750	453,750
Total deposits	\$949,285	\$700,866

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

4. Budgetary Activity

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,764	\$316,837	\$248,073
Special Revenue	436,970	466,788	29,818
Trust	100	74	(26)
Total	\$505,834	\$783,699	\$277,865

**LANIER TOWNSHIP
PREBLE COUNTY**

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

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,000	\$104,497	\$503
Special Revenue	854,619	430,783	423,836
Trust	194	0	194
Total	\$959,813	\$535,280	\$424,533

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,764	\$83,583	\$2,819
Special Revenue	471,420	462,563	(8,857)
Trust	100	104	4
Total	\$552,284	\$546,250	(\$6,034)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,219	\$112,495	\$4,724
Special Revenue	1,106,092	500,959	605,133
Trust	300	0	300
Total	\$1,223,611	\$613,454	\$610,157

5. 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.

**LANIER TOWNSHIP
PREBLE COUNTY**

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

6. Debt

The Township has defeased all debt issues from prior years including its \$32,194 Bank Loan from Fiscal Year 2009.

7. Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). 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. 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

8. Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

**LANIER TOWNSHIP
PREBLE COUNTY**

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

8. Risk Management (Continued)

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$5,953	\$5,284

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

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Dave Yost • Auditor of State

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

Lanier Township
Preble County
6151 Factory Road
West Alexandria, Ohio 45381

To the Township Board of Trustees:

We have audited the financial statements of Lanier Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 12, 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. 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 Government 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. The Township adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions. 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 2011-02 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 12, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

April 12, 2012

**LANIER TOWNSHIP
PREBLE 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 2011-01

Noncompliance Citation

Finding for Recovery – Repaid Under Audit

Lanier Township paid ("picked up") the required Employee/Elected Officials contributions for the township fiscal officer and trustees for Medicare.

Pursuant to AG Op. No. 84-036, elected officers, whose salaries are fixed by statute, are not permitted to participate in a "pick-up" plan. The Township Fiscal officer and Trustee salaries are fixed pursuant to Ohio Revised Code Section 505.24 and Section 507.09 respectively. Therefore, neither the Fiscal Officer nor the Trustees are permitted to participate in the Township's Medicare "pick-up" plan.

The following schedule details the Medicare "pick-up" paid by the Township on behalf of the respective officials during 2010 and 2011:

Trustee	2010	2011	Total
Bruce Cunningham	\$149	\$149	\$298
Matthew Maggard	149	149	298
Michael Montgomery	149	149	298

Fiscal Officer	2010	2011	Total
Mark McIntire	\$246	\$246	\$492

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Bruce Cunningham, Trustee, in the amount of \$298, and his bonding company, Ohio Township Association Risk Management Authority, jointly and severally, and in favor of Lanier Township General Fund in the amount of \$285 and Lanier Township Road and Bridge Fund in the amount of \$13; Matthew Maggard, Trustee, in the amount of \$298, and his bonding company, Ohio Township Association Risk Management Authority, jointly and severally, and in favor of Lanier Township General Fund in the amount of \$286 and Lanier Township Road and Bridge Fund in the amount of \$12; Michael Montgomery, Trustee, in the amount of \$298, and his bonding company, Ohio Township Association Risk Management Authority, jointly and severally, and in favor of Lanier Township General Fund in the amount of \$284 and Lanier Township Road and Bridge Fund in the amount of \$14; and Mark McIntire, Fiscal Officer, in the amount of \$492, and his bonding company, Travelers Casualty and Surety Company of America, jointly and severally, and in favor of Lanier Township General Fund in the amount of \$492.

**FINDING NUMBER 2011-01
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Fiscal Officer Mark McIntire approved the Medicare "pick-up" paid by the township on behalf of Bruce Cunningham, Trustee, in the amount of \$298; Matthew Maggard, Trustee, in the amount of \$298; and Michael Montgomery, Trustee, in the amount of \$298. Accordingly, Fiscal Officer Mark McIntire, and his bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$894 and in favor of the Lanier Township General Fund in the amount of \$855 and Lanier Township Road and Bridge Fund in the amount of \$39 to the extent that recovery is not obtained from Bruce Cunningham, Matthew Maggard, and Michael Montgomery.

Bruce Cunningham paid \$285 and \$13 on April 5, 2012 to the Lanier Township General Fund and Road and Bridge Fund, respectively. Matthew Maggard paid \$286 and \$12 on April 5, 2012 to the Lanier Township General Fund and Road and Bridge Fund, respectively. Michael Montgomery paid \$284 and \$14 on April 5, 2012 to the Lanier Township General Fund and Road and Bridge Fund, respectively. Mark McIntire paid \$492 on April 5, 2012 to the Lanier Township General Fund.

Officials' Response:

We did not receive a response from officials regarding the finding reported above.

FINDING NUMBER 2011-02

Noncompliance / Material Weakness

Ohio Revised Code, Section 505.24 (C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. The township must maintain daily records of tasks performed for each individual trustee that, when reviewed cumulatively for the fiscal year, will provide reasonable justification for the apportionment of salary between funds as specified in the resolution. Monthly summaries in lieu of daily records are not acceptable.

**FINDING NUMBER 2011-02
(Continued)**

The Township paid the Trustees from funds other than the General Fund during the audit period. The Township maintained monthly time sheets to support charging the Trustees' salaries to these restricted funds. The Township needs to maintain daily records for tasks performed for each individual trustee. For 2010 the Township charged \$17,108 to the Road and Bridge Fund without proper support. For 2011 the Township charged \$9,986 to the Road and Bridge Fund without proper support. The accompanying financial statements include fund balance adjustments for these unsupported charges. The Township's accounting records have also been adjusted to reflect necessary adjustments.

Failure to appropriately document the fund to which the Township will charge the Trustees' salaries will result in fund balance adjustments. We recommend the Township modify formal administrative procedures regarding documenting the time spent by Trustees on various duties and the funds to which each task should be charged. The Township should adopt a resolution specifying that the Township will allocate salaries based upon documentation submitted by each Trustee or all salaries will be paid from the General Fund. For Trustee pay subsequent to September 29, 2011, the Township should follow guidance in Auditor of State Bulletin 2011-007.

Officials' Response:

We did not receive a response from officials regarding the finding reported above.

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LANIER TOWNSHIP
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Failed to properly post financial transactions	Yes	

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Dave Yost • Auditor of State

LANIER TOWNSHIP

PREBLE 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
MAY 1, 2012