



Dave Yost • Auditor of State



MASON TOWNSHIP  
LAWRENCE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Mason Township  
Lawrence County  
446 Township Road 209  
Willow Wood, Ohio 45696

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Mason Township, Lawrence County, (the Township) as of and for the years ended December 31, 2013 and 2012.

### ***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 1 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, 2013 and 2012, 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 Mason Township, Lawrence County, as of December 31, 2013 and 2012, 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 1.

***Emphasis of Matter***

As discussed in Note 9 to the financial statements, the January 1, 2012 balances were restated for the General and Special Revenue Funds due to a prior period adjustment for Board of Trustees salaries and benefits being paid from the Gasoline Tax Fund which should have been paid from the General Fund.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, 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

November 19, 2015

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$9,593	\$3,974	\$13,567
Intergovernmental	8,970	99,872	108,842
Miscellaneous	0	3,510	3,510
<i>Total Cash Receipts</i>	<u>18,563</u>	<u>107,356</u>	<u>125,919</u>
<b>Cash Disbursements</b>			
Current:			
General Government	13,161	7,453	20,614
Public Safety	2,800	2,890	5,690
Public Works	92	82,367	82,459
Health			0
Capital Outlay			0
Debt Service:			
Principal Retirement		89,202	89,202
Interest and Fiscal Charges		664	664
<i>Total Cash Disbursements</i>	<u>16,053</u>	<u>182,576</u>	<u>198,629</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>2,510</u>	<u>(75,220)</u>	<u>(72,710)</u>
<b>Other Financing Receipts</b>			
Advances In	4,000	4,000	8,000
Advances Out	(4,000)	(4,000)	(8,000)
Other Financing Sources	643		643
<i>Total Other Financing Receipts</i>	<u>643</u>	<u>0</u>	<u>643</u>
<i>Net Change in Fund Cash Balances</i>	3,153	(75,220)	(72,067)
<i>Fund Cash Balances, January 1</i>	<u>(3,385)</u>	<u>99,839</u>	<u>96,454</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	0	0
Restricted	0	24,619	24,619
Unassigned (Deficit)	(232)	0	(232)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$232)</u></u>	<u><u>\$24,619</u></u>	<u><u>\$24,387</u></u>

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

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$9,235	\$4,015	\$13,250
Intergovernmental	11,330	253,272	264,602
Miscellaneous	180		180
<i>Total Cash Receipts</i>	<u>20,745</u>	<u>257,287</u>	<u>278,032</u>
<b>Cash Disbursements</b>			
Current:			
General Government	24,548	6,450	30,998
Public Safety	2,800	5,837	8,637
Public Works		160,420	160,420
Capital Outlay		92,000	92,000
Debt Service:			
Principal Retirement		8,395	8,395
Interest and Fiscal Charges		788	788
<i>Total Cash Disbursements</i>	<u>27,348</u>	<u>273,890</u>	<u>301,238</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(6,603)</u>	<u>(16,603)</u>	<u>(23,206)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Bonds		90,700	90,700
Other Financing Sources	1,052		1,052
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,052</u>	<u>90,700</u>	<u>91,752</u>
<i>Net Change in Fund Cash Balances</i>	(5,551)	74,097	68,546
<i>Fund Cash Balances, January 1 - Restated - See Note 9</i>	<u>2,166</u>	<u>25,742</u>	<u>27,908</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	0	0
Restricted	0	99,839	99,839
Assigned	0	0	0
Unassigned (Deficit)	<u>(3,385)</u>	<u>0</u>	<u>(3,385)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$3,385)</u>	<u>\$99,839</u>	<u>\$96,454</u>

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

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Mason Township, Lawrence County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Windsor and Aid Township Volunteer Fire Departments to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 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 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.

**C. Deposits**

The Township has one primary checking account.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. 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:

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money to pay for constructing, maintaining, and repairing Township roads.

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

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

FEMA Fund - This fund was used to account for FEMA grant monies and debt proceeds to finance activity prior to receipt of grant funds.

**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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. 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:

**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.

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(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.

**2. 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 deposits and investments at December 31 was as follows:

	2013	2012
Demand deposits	\$24,387	\$96,454
Total deposits	24,387	96,454

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,797	\$19,206	(\$2,591)
Special Revenue	114,237	107,356	(6,881)
Total	\$136,034	\$126,562	(\$9,472)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$21,910	\$16,053	\$5,857
Special Revenue	210,577	182,576	28,001
Total	\$232,487	\$198,629	\$33,858

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,775	\$21,797	(\$1,978)
Special Revenue	355,129	347,987	(7,142)
Total	\$378,904	\$369,784	(\$9,120)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$32,208	\$27,348	\$4,860
Special Revenue	296,159	273,890	22,269
Total	\$328,367	\$301,238	\$27,129

Contrary to Ohio law, at December 31, 2012, appropriations exceeded estimated resources in the General Fund and Gasoline Tax Fund by \$3,400 and \$5,734, respectively. Also contrary to Ohio law, at December 31, 2013, appropriations exceeded actual resources in the General Fund and Gasoline Tax Fund by \$2,591 and \$6,698, respectively and at December 31, 2012, appropriations exceeded actual resources in the General Fund and Gasoline Tax Fund by \$5,378 and \$12,801, respectively.

**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.

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

**5. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Equipment Acquisition Bond	\$10,278	0.9%-2%

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Debt (Continued)**

The Township issued an Equipment Acquisition Bond in the amount of \$90,700 for the purpose of financing the acquisition of a dump truck and a grader. The terms of the Bond were originally five years at an interest rate of 0.9% for the first two years and 2% for the remaining years. Annual payments were due December 1 of each year beginning with the December 1, 2013 payment. On January 31, 2013 the Township made a principal payment in the amount of \$70,144 which left a remaining principal amount of \$20,556 with \$10,278 due on each of December 1, 2013 and December 1, 2014. On October 11, 2014 the Board of Trustees approved a motion to have the remaining balance of \$10,278 divided into equal payments for the remaining four years of the bond.

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

Year ending December 31:	Equipment Acquisition Bond
2014	\$2,570
2015	2,569
2016	2,570
2017	2,569
Total	<u>\$10,278</u>

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**7. 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.

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Risk Management (Continued)**

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Risk Management (Continued)**

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2013</u></b>	<b><u>2012</u></b>
\$3,488	\$2,472

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.

**8. Restatement of Balances**

The January 1, 2012 balances were restated for the General and Special Revenue Funds due to a prior period adjustment being posted to correct for salaries and benefits for the Board of Trustees being paid from the Gasoline Tax Fund which should have been paid from the General Fund.

Fund Type	December 31, 2011 Audited Balance	January 1, 2012 Restated Balance	Restatement Amount
General	\$5,033	\$2,166	(\$2,867)
Special Revenue	22,875	25,742	2,867
Total	\$27,908	\$27,908	\$0



# 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

Mason Township  
Lawrence County  
446 Township Road 209  
Willow Wood, Ohio 45696

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 Mason Township, Lawrence County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 19, 2015 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. We also noted beginning fund balances were restated as of January 1, 2012 for the General and Special Revenue Funds.

### ***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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control. We consider Finding 2013-003 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 2013-001 and 2013-002.

***Entity's Response to Findings***

The Entity's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Entity'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

November 19, 2015

MASON TOWNSHIP  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.36(A)(2), states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and, if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The total appropriations made during the fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources, which was certified prior to making the appropriation or supplemental appropriation.

On December 31, 2013, appropriations exceeded actual resources as follows:

Fund Name	Actual Resources	Total Appropriations	Variance
General Fund	\$ 19,319	\$ 21,910	\$ (2,591)
Gasoline Tax Fund	\$ 109,545	\$ 116,243	\$ (6,698)

On December 31, 2012, appropriations exceeded actual resources as follows:

Fund Name	Actual Resources	Total Appropriations	Variance
General Fund	\$ 26,830	\$ 32,208	\$ (5,378)
Gasoline Tax Fund	\$ 107,892	\$ 120,693	\$ (12,801)

This could result in overspending if not properly monitored.

We recommend the Fiscal Officer monitor estimated and actual resources. When it is apparent that actual receipts will fall short or budgetary estimates and appropriations are greater than estimated resources, the Board of Trustees should obtain a reduced amended certificate from the County Budget Commission. We further recommend the Board of Trustees make corresponding reductions in appropriations.

Officials' Response:

The Township is attempting to correct these problems before next audit.

**FINDING NUMBER 2013-002**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.39**, provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources at December 31, 2012 in the following funds:

	Estimated Resources	Appropriations	Variance
General Fund	\$ 28,808	\$ 32,208	\$ (3,400)
Gasoline Tax Fund	\$ 114,959	\$ 120,693	\$ (5,734)

Over estimating receipts could result in spending more funds than received. When it is determined receipts are going to be less than originally estimated, an amended certificate should be obtained and appropriations reduced, if necessary.

We recommend the Township obtain an amended certificate of estimated resources when expected receipts are going to be less than originally estimated, and reduce appropriations as necessary.

**Officials' Response:**

The Township is attempting to correct these problems before next audit.

**FINDING NUMBER 2013-003**

**Significant Deficiency**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

The Township misclassified and misposted various revenues and expenditures to the annual financial report submitted to the Auditor of State for fiscal years 2013 and 2012. These misstatements had the following effect on the Township's financial statements:

**FINDING NUMBER 2013-003**  
**(Continued)**

On the December 31, 2013 Financial Statement:

- The Township posted an adjustment at year end to record a portion of Trustee salaries as being paid from the General Fund. The adjustment in the amount of \$348 was posted to the beginning balances which resulted in General Fund expenditures and beginning balance being understated by \$348 and Gasoline Tax Fund expenditures and beginning balance being overstated by \$348.
- General Fund property tax receipts in the amount of \$454 were posted as Intergovernmental Revenues.
- Debt payment activity for Principal Retirement in the amount of \$70,144 and Interest Expense in the amount of \$107 was classified as Capital Outlay.

On the December 31, 2012 Financial Statement:

- Trustees salaries and benefits in the amount of \$631 were posted to the Gasoline Tax Fund and Road and Bridge Fund instead of the General Fund.
- Bond proceeds in the amount of \$90,700 were classified as Other Financing Sources.
- The Township posted an adjustment to move Gasoline Tax Fund expenditures to the FEMA Fund. The adjustment in the amount of \$17,328 was posted to the beginning balances which resulted in Gasoline Tax Fund expenditures and beginning balance being overstated by \$17,328 and FEMA Fund expenditures and beginning balance being understated by \$17,328.

Beginning Balances:

During the 2007-2006 audit, we noted the Township improperly paid salaries and fringe benefits for the Board of Trustees from the Gasoline Tax Fund that should have been paid from the General Fund. Due to the impact this adjustment would have on the General Fund, the Township declined to make this adjustment during the 2009-2008 and 2011-2010 audit period. The amount has been recalculated at \$2,867. This resulted in the beginning balances for the audit period to be overstated in the General Fund by \$2,867 and understated in the Gasoline Tax Fund by \$2,867.

This resulted in audit adjustments and reclassifications to the financial statements.

The fund balance adjustments have been posted to the Township's accounting system.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and footnotes by the Fiscal Officer and Board of Trustees to identify and correct errors and omissions.

**FINDING NUMBER 2013-003  
(Continued)**

We also recommend the Fiscal Officer take care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the Township's receipts and expenditures.

**Officials' Response:**

The Township is attempting to correct these problems before next audit.

**MASON TOWNSHIP  
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Revised Code Section 5705.41(B) – Expenditures in excess of appropriations.	Yes	
2011-002	Material Weakness relating to misclassified and misposted revenues and expenditures on the financial statement.	No	Not Corrected. See Finding Number 2013-003.

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# Dave Yost • Auditor of State

**MASON TOWNSHIP**

**LAWRENCE 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  
DECEMBER 3, 2015**