



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MASON TOWNSHIP
LAWRENCE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	14
Corrective Action Plan	15

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Mason Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Mason Township, Lawrence County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 28, 2002

**MASON TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$4,910	\$2,135	\$7,045
Intergovernmental	16,541	64,278	80,819
Earnings on Investments	49	83	132
Other Revenue	1,730		1,730
	<u>23,230</u>	<u>66,496</u>	<u>89,726</u>
Total Cash Receipts			
	<u>23,230</u>	<u>66,496</u>	<u>89,726</u>
Cash Disbursements:			
Current:			
General Government	28,408		28,408
Public Safety	2,000		2,000
Public Works		66,088	66,088
Debt Service:			
Note Principal Payment		3,600	3,600
Interest		85	85
Capital Outlay		600	600
	<u>30,408</u>	<u>70,373</u>	<u>100,781</u>
Total Cash Disbursements			
	<u>30,408</u>	<u>70,373</u>	<u>100,781</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,178)</u>	<u>(3,877)</u>	<u>(11,055)</u>
Other Financing Receipts:			
Other Receipts	300		300
	<u>300</u>		<u>300</u>
Total Other Financing Receipts			
	<u>300</u>	<u>0</u>	<u>300</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(6,878)</u>	<u>(3,877)</u>	<u>(10,755)</u>
Fund Cash Balances, January 1	<u>8,261</u>	<u>8,610</u>	<u>16,871</u>
Fund Cash Balances, December 31	<u>\$1,383</u>	<u>\$4,733</u>	<u>\$6,116</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$575</u>	<u>\$575</u>

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

**MASON TOWNSHIP
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 4,834	\$ 2,102	\$ 6,936
Intergovernmental	23,001	64,337	87,338
Earnings on Investments	114	166	280
Other Revenue	717		717
	<u>28,666</u>	<u>66,605</u>	<u>95,271</u>
Cash Disbursements:			
Current:			
General Government	24,672		24,672
Public Safety	2,000		2,000
Public Works		74,754	74,754
	<u>26,672</u>	<u>74,754</u>	<u>101,426</u>
Total Cash Disbursements	<u>26,672</u>	<u>74,754</u>	<u>101,426</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,994</u>	<u>(8,149)</u>	<u>(6,155)</u>
Other Financing Receipts:			
Proceeds of Notes		7,200	7,200
Other Receipts	275		275
	<u>275</u>	<u>7,200</u>	<u>7,475</u>
Total Other Financing Receipts	<u>275</u>	<u>7,200</u>	<u>7,475</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	2,269	(949)	1,320
Fund Cash Balances, January 1	<u>5,992</u>	<u>9,559</u>	<u>15,551</u>
Fund Cash Balances, December 31	<u>\$ 8,261</u>	<u>\$ 8,610</u>	<u>\$ 16,871</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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Mason Township, Lawrence County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly-elected Clerk. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with Aid Township and Windsor Township volunteer fire departments to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**MASON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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. 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 did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$6,116	\$16,871
Total Deposits	<u>\$6,116</u>	<u>\$16,871</u>

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

**MASON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,690	\$23,530	(\$1,160)
Special Revenue	64,680	66,496	1,816
Total	\$89,370	\$90,026	\$656

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$32,951	\$30,408	\$2,543
Special Revenue	73,289	70,948	2,341
Total	\$106,240	\$101,356	\$4,884

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,708	\$28,941	\$8,233
Special Revenue	71,627	73,805	2,178
Total	\$92,335	\$102,746	\$10,411

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,036	\$26,672	\$364
Special Revenue	80,851	74,754	6,097
Total	\$107,887	\$101,426	\$6,461

Contrary to Ohio law, the Township did not properly encumber funds for nonpayroll disbursements.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

**MASON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

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. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Equipment Loan	<u>\$3,600</u>	9.5%
Total	<u><u>\$3,600</u></u>	

The equipment loan due on January 10, 2002 was issued on January 16, 2001 to finance the balance of a loan in the amount of \$7,200 issued on January 19, 2000 for the purchase of a snowplow and spreader box. The note is collateralized by the equipment purchased.

Amortization of the above debt, including interest, is a payment due on January 10, 2002 in the amount of \$4018.

Subsequent to the audit period, on January 12, 2002 the Board of Trustees voted to apply for a line of credit at Firststar Bank in order to extend the January 2002 loan payment. A revolving credit note in the amount of \$10,000 payable March 31, 2003 was obtained on January 29, 2002. A draw in the amount of \$4037.51 obtained on January 29, 2002 was used for payoff of the above general obligation note.

6. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**MASON TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000. The aforementioned casualty and property reinsurance agreements do 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 report the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>

MASON TOWNSHIP
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

7. RISK MANAGEMENT (Continued)

Financial Position (Continued)

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 the accompanying financial statements of Mason Township, Lawrence County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 28, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item number 2001-40744-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 28, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 28, 2002.

Mason Township
Lawrence County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

June 28, 2002

**MASON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40744-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

1. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
2. Amounts of less than \$1000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

The Township did not properly encumber expenditures for seventy-seven percent of the disbursement transactions tested. By not certifying funds prior to a purchase commitment, this may lead to the Township obligating money it does not have.

We recommend that no orders or contracts be made unless the Township Clerk has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of being collected.

**MASON TOWNSHIP
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-40744-001	Ohio Revised Code Section 5705.41(D) Funds were not encumbered prior to a purchase commitment being made	No	Not Corrected. Repeated in GAGAS letter as Finding 2001-40744-001 for funds not being properly encumbered.

**MASON TOWNSHIP
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2001 AND 2000**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-40744-001	No orders or contracts will be made unless the Township Clerk has certified that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of the appropriate fund.	December 31, 2002	Richa Shepherd, Township Clerk



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
AUGUST 13, 2002**