



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Gibson Township
Mercer County
P.O. Box 636
Fort Recovery, OH 45846

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Gibson Township (the Township) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2015 and 2014, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2015 and December 31, 2014 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2014 beginning fund balances recorded in the Cash Summary by Fund report to the December 31, 2013 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2015 beginning fund balances recorded in the Cash Summary by Fund report to the December 31, 2014 balances in the Cash Summary by Fund report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2015 and 2014 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2015 bank account balance with the Township's financial institution. We found no exceptions. We also agreed the confirmed balance to the amount appearing in the December 31, 2015 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2015 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.

Property Taxes and Intergovernmental Cash Receipts

1. We selected a property tax receipt from one *Mercer County Apportionments Summary by Subdivision* (the Statement) for 2015 and one from 2014:
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Detail Report. The amounts agreed.
 - b. We determined whether the receipt was allocated to the proper funds as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipt Detail Report to determine whether it included two real estate tax receipts for 2015 and 2014. We noted the Receipt Detail Reports included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2015 and five receipts from 2014. We also selected five receipts from the Mercer County Audit Trail by Vendor Report from 2015 and five from 2014.
 - a. We compared the amount from the above reports to the amount recorded in the Receipt Detail Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. From the prior audit documentation, we noted the following bond outstanding as of December 31, 2013. These amounts agreed to the Township's January 1, 2014 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2013:
Equipment Acquisition Bonds	\$50,000

2. We inquired of management, and scanned the Receipt Detail Report and Payment Register Detail Report for evidence of debt issued during 2015 or 2014 or debt payment activity during 2015 or 2014. All debt noted agreed to the summary we used in step 3.
3. We obtained a summary of bonded debt activity for 2015 and 2014 and agreed principal and interest payments from the related debt amortization schedule to debt service fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Township made the payments. We found one exception. Debt service payments were required to be paid from a debt service fund according to the debt agreement. Two of the four debt payments were made from the Gasoline Tax fund and two were made from the Road and Bridge fund. Because the two funds from which the debt was paid could be used to transfer money to the debt service fund to make the debt payments, the net effect of this exception is zero. Therefore, no adjustment is necessary.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for all employees from 2015 and one payroll check for all employees from 2014 from the Wage Detail Report and:

- a. We compared the salary recorded in the Wage Detail Report to supporting documentation (statutorily-approved salary). We found no exceptions.
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the minute record or as required by statute. We also determined whether the payment was posted to the proper year. We found three exceptions. Three of the checks made out to elected officials were allocated 50 percent to the Gasoline Tax fund and 50 percent to the Road and Bridge fund. AOS Bulletin 2013-002 states attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, allocating 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio Law.
2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files was consistent with the information used to compute gross and net pay related to this check:
- a. Name
 - b. Authorized salary or pay rate
 - c. Department(s) and fund(s) to which the check should be charged
 - d. Retirement system participation and payroll withholding
 - e. Federal, State & Local income tax withholding authorization and withholding
 - f. Any other deduction authorizations (deferred compensation, etc.)

We found one exception related to step e. above, the federal withholding authorization was not maintained for the one employee. However, the payroll register did disclose federal withholdings for this employee. We recommend the Township maintain all documentation to support wages paid and deductions withheld.

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2015 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2015. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2016	December 29, 2015	\$398.37	\$398.37
State income taxes	January 31, 2016	December 29, 2015	\$115.89	\$115.89
Fort Recovery Local School District tax	January 31, 2016	December 29, 2015	\$152.94	\$152.94
OPERS retirement	January 30, 2016	December 29, 2015	\$764.06	\$764.06

4. For the pay period ended December 31, 2015, we recomputed the allocation of the Boards' salaries to the Gasoline Tax and Road and Bridge Funds per the Wage Detail Report. We found three exceptions. All three trustees were paid 50% from the Gas Tax Fund and 50% from the Road and Bridge Fund; however, no supporting documentation or certifications were completed to support this allocation. Because of this, our testing was expanded to include the entire audit period. As a result, a finding for adjustment is necessary to adjust the trustees' salaries paid during 2015 all from the General Fund. This will decrease the General Fund Balance by \$25,470 and increase the Gas Tax Fund Balance by \$12,735 and the Road and Bridge Fund Balance by \$12,735.
5. For the pay periods described in the preceding step, we traced the Boards' salary for time or services performed to supporting certifications the Revised Code requires. We found three

exceptions. No payroll certifications were filled out for the pay period ended December 31, 2015, and all three paychecks tested were allocated 100 percent to funds other than the general fund. Ohio Revised Code 505.24 (C) states if trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of the time spent working on matters that are to be paid from the other funds. Because we did not test all pay periods, our report provides no assurance whether or not other similar errors occurred.

6. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2015 and 2014 to determine if township employees and/or trustees were reimbursed for out-of-pocket insurance premiums. Insurance reimbursements made were not in compliance with ORC 505.60 and 505.601 and federal regulations.

With the enactment of the federal Patient Protection and Affordable Care Act (ACA), federal authorities have issued technical bulletins and guidance, as noted in Auditor of State Bulletin 2015-002 which suggest that the practices permitted by Ohio Rev. §505.60 and 505.601 of townships reimbursing officials and/or employees for out-of-pocket premium costs may violate the ACA and may subject townships engaging in the same to penalty.

Specifically, the IRS issued Notice 2015-17 in which it is indicated that an employer payment plan which involves the employer's reimbursement to employees for some or all of their health insurance premiums incident to a policy secured other than through the employer constitutes a group health plan which is subject to regulation under the ACA. On that basis, the IRS indicates that any such reimbursement plan, because it limits the amount of payments, is in violation of the ACA, and may subject the employer to fines and penalties. The IRS indicated that it would forgo such assessments as to small employers until after June 30, 2015, but, thereafter, penalties may be imposed.

In Oh. Atty. Gen. No. 2015-2021 these issues are examined. The Opinion states, in part, that employers may make premium reimbursements if their program is "integrated", under federal regulations, into a group health care plan, and they may also, under certain circumstances, utilize so-called 125 payment plans. Absent the provision by the public employer of health care insurance coverage, neither premium reimbursement nor a 125 premium payment plan is permissible under relevant provisions of the ACA, as said enactment has been interpreted by the Internal Revenue Service.

The Township continued to reimburse employees and elected officials for health insurance premiums after June 30, 2015, but did not offer a health care plan. By reimbursing the employees and elected officials without a health care plan, the Township was in violation of the ACA.

In addition, all insurance reimbursements were paid from the Gasoline Tax fund, which does not follow how payroll expenses were allocated nor was there payroll certifications to support the payroll expenses being paid from funds other than the general fund. As a result, a finding for adjustment is necessary to adjust the insurance reimbursements during the audit period to the General Fund. This will decrease the General Fund Balance by \$70,685 and increase the Gasoline Tax Fund Balance by \$70,685.

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2015 and ten from the year ended 2014 and determined whether:

- a. The disbursements were for a proper public purpose. We found no exceptions.
- b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register

Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.

- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
- d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found no exceptions.

Compliance – Budgetary

1. We compared the total estimated receipts from the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, Motor Vehicle License Tax, and Road and Bridge funds for the years ended December 31, 2015 and 2014. The amounts on the *Certificate* agreed to the amounts recorded in the accounting system, except for the General and Road and Bridge funds. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$33,059 and \$39,752 for 2015 and 2014, respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$36,995 and \$42,449 for 2015 and 2014, respectively. The Revenue Status Report recorded budgeted (i.e. certified) resources for the Road and Bridge fund of \$42,816 and \$42,000 for 2015 and 2014, respectively. However, the final *Amended Official Certificate of Estimated Resources* reflected \$55,602 and \$42,816 for 2015 and 2014, respectively. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.
2. We scanned the appropriation measures adopted for 2015 and 2014 to determine whether, for the General, Motor Vehicle License Tax, and Road and Bridge funds, the Trustees appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2015 and 2014 for the following funds: General, Motor Vehicle License Tax, and Road and Bridge. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status report.
4. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Motor Vehicle License Tax, and Road and Bridge funds for the years ended December 31, 2015 and 2014. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2015 and 2014 for the General, Motor Vehicle License Tax, and Road and Bridge funds, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Detail Report for evidence of new restricted receipts requiring a new fund during December 31, 2015 and 2014. We also inquired of management regarding whether the Township received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Township to establish a new fund.

7. We scanned the 2015 and 2014 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers which Ohio Rev. Code Sections 5705.14 - .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Township elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Township did not establish these reserves.
9. We scanned the Cash Summary by Fund Report for the years ended December 31, 2015 and 2014 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (l) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

Compliance – Contracts & Expenditures

We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2015 and 2014 to determine if the township proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project \$15,000-\$45,000) or to construct or reconstruct township roads (cost of project \$5,000-\$15,000/per mile) for which Ohio Rev. Code Section 5575.01 requires the county engineer to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the county engineer to complete a force account cost estimate.

Other Compliance

Ohio Rev. Code Section 117.38 requires townships to file their financial information in the HINKLE system formerly known as the Annual Financial Data Reporting System (AFDRS) within 60 days after the close of the fiscal year. We reviewed HINKLE to verify the Township filed their financial information within the allotted timeframe for the years ended December 31, 2015 and 2014. No exceptions noted.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Township's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Township, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

Columbus, Ohio

August 25, 2016



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GIBSON TOWNSHIP

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 27, 2016**