

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
HARRIS TOWNSHIP
ST. JOSEPH COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
04/27/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Robert A. Wood	01-01-07 to 12-31-10
Chairman of the Township Board	Dennis Sharp	01-01-07 to 12-31-07
	Jeff Broadwick	01-01-08 to 12-31-09
	Angela Faulkner	01-01-10 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF HARRIS TOWNSHIP, ST. JOSEPH COUNTY, INDIANA

We have examined the financial information presented herein of Harris Township (Township), for the period of January 1, 2007 to December 31, 2009. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2007, 2008, and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. The Schedule has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the Schedule.

STATE BOARD OF ACCOUNTS

March 19, 2010

HARRIS TOWNSHIP, ST. JOSEPH COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 293,218	\$ 187,160	\$ 81,290	\$ 399,088
Township Assistance	47,210	-	14,665	32,545
Firefighting	41,295	1,808,527	1,705,915	143,907
Park and Recreation	130,354	-	-	130,354
Cemetery	64,375	1,780	-	66,155
Ambulance Billing	97,981	203,007	13,680	287,308
Fire Emergency Loan	(4,924)	626,569	626,635	(4,990)
Build Indiana Grant	4,074	-	-	4,074
Public Education Donations	-	1,378	100	1,278
Pop Machines	118	2,836	2,954	-
Water Source	2,740	500	-	3,240
Cumulative Fire	526,732	245,775	298,015	474,492
Fiduciary Fund:				
Payroll Withholdings	-	326,539	326,539	-
Totals	\$ 1,203,173	\$ 3,404,071	\$ 3,069,793	\$ 1,537,451

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 399,088	\$ 139,839	\$ 78,996	\$ 459,931
Township Assistance	32,545	7	15,384	17,168
Firefighting	143,907	336,708	1,806,093	(1,325,478)
Park and Recreation	130,354	1,500	-	131,854
Cemetery	66,155	2,540	460	68,235
Ambulance Billing	287,308	177,004	19,228	445,084
Fire Emergency Loan	(4,990)	275,147	20,148	250,009
Build Indiana Grant	4,074	-	-	4,074
Public Education Donations	1,278	690	-	1,968
Pop Machines	-	1,164	2,072	(908)
Water Source	3,240	-	-	3,240
Rainy Day	-	39,377	-	39,377
Cumulative Fire	474,492	89,871	189,138	375,225
Fiduciary Fund:				
Payroll Withholdings	-	342,219	342,219	-
Totals	\$ 1,537,451	\$ 1,406,066	\$ 2,473,738	\$ 469,779

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 459,931	\$ 186,409	\$ 76,094	\$ 570,246
Township Assistance	17,168	3,801	17,685	3,284
Firefighting	(1,325,478)	2,973,215	2,040,536	(392,799)
Park and Recreation	131,854	3,960	-	135,814
Cemetery	68,235	-	-	68,235
Ambulance Billing	445,084	236,600	21,637	660,047
Fire Emergency Loan	250,009	694,123	941,138	2,994
Build Indiana Grant	4,074	-	-	4,074
Public Education Donations	1,968	-	-	1,968
Pop Machines	(908)	1,036	2,125	(1,997)
Water Source	3,240	-	-	3,240
Rainy Day	39,377	8,933	-	48,310
Cumulative Fire	375,225	310,281	39,550	645,956
Fiduciary Fund:				
Payroll Withholdings	-	386,394	386,394	-
Totals	\$ 469,779	\$ 4,804,752	\$ 3,525,159	\$ 1,749,372

The accompanying notes are an integral part of the financial information.

HARRIS TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

HARRIS TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Township contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Township authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

Effective January 1, 2010, the Township became a member of the Clay Fire Territory. The Township will no longer operate a Township Fire Department.

HARRIS TOWNSHIP, ST. JOSEPH COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Township has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ 1,300,000	\$ 1,360,348
Total governmental activities debt	<u>\$ 1,300,000</u>	<u>\$ 1,360,348</u>

HARRIS TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS - ANNUAL REPORT

The 2007, 2008, and 2009 Annual Reports presented for examination were not accurate. The January 1, 2007, fund cash balances for two funds were different than those reported at December 31, 2006. The December 31, 2008, fund cash balances for two funds, Payroll Deductions, \$341,961, and Rainy Day, \$39,377 were not included in the 2009 annual report's beginning balances.

Portions of each Annual Report were incomplete and not consistent. For example, in the 2009 Annual Report, Part 2 - Receipts, the Rainy Day Fund shows \$8,933 total receipts, and the Federal Grant Fire Department shows \$143,299 total receipts, but neither of these funds are shown in Part 1 - Statement of Receipts, Disbursements, Cash Balances and Investment Balances.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

COMPENSATION AND BENEFITS

No salary resolution, Township Form 17, was provided for our examination for compensation paid during 2007 or 2009. A Form 17 was provided to us for 2008 compensation paid to employees. A similar exception was included in the prior report, file number B31113.

Some qualifying firemen were also paid a \$1,500 EMT stipend. Firemen were also paid \$150 additional pay when working on a holiday. Neither of these compensations was included on the Form 17.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

RECONCILEMENT WITH BANK BALANCE

The December 31, 2009, reconciliation of the Township's total funds' cash balance with the bank balance shows an unbalanced error, \$873,878 which represents approximately 45% of the total fund cash balance. The Trustee explained that the outstanding checks, which totaled \$1,061,046, included several items from 2006 and 2007 that have actually cleared the bank, but he has not marked them cleared. The Trustee agreed to research each of these outstanding checks and compare them to 2006 and 2007 bank statements. A similar exception was included in the prior report, file number B31113.

HARRIS TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Trustee provided the February 28, 2010, reconciliation to us showing \$30,568 total outstanding checks and \$1,277 unbalanced error. The Trustee's research found numerous outstanding checks that had cleared and should have been removed from the outstanding check list, which also reduced the unbalanced error amount.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate an inventory or record of capital assets. A similar exception was included in the prior report, file number B31113.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

POP MACHINE LOSSES

The controls over the receipting, disbursing, recording, and accounting for the pop machine financial activities were insufficient. The annual financial reports show pop receipts declining from 2007 to 2008 and to 2009, from \$2,836 to \$1,164, and to \$1,036, respectively. Payments made to the vendor for pop purchases for the same three years were \$2,954, \$2,072, and \$2,125, respectively. The December 31, 2009, cash balance in the Pop Machine Fund was a negative \$1,997.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

The Trustee explained that the pop was sold from two machines at two different fire stations. Firemen stocked the pop cans in machines and took money out of the machines and gave the money to the Trustee. There was no record maintained to reconcile pop purchased with pop sales. The Trustee also explained that pop was given away.

HARRIS TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

AMBULANCE COLLECTIONS

The controls over the receipting, disbursing, recording, and accounting for the ambulance billings and collections were insufficient. The Trustee explained that ambulance collections are paid by customers to a third party, Andres Medical Billing, LTD and the third party periodically delivers customer check payments to the Trustee who deposits monies into the Township's bank account. No analysis of unpaid delinquent accounts, aged receivables or collection policy for delinquent, unpaid accounts was presented for examination. The Trustee explained to us that he writes off all unpaid accounts as not collectible. Ambulance revenue shown in the 2007, 2008, and 2009 annual reports was \$203,007, \$177,004, and \$236,600, respectively.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SUPPORTING DOCUMENTATION

We observed several payments which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Examples of payments without supporting invoices include \$84,115 paid to Towers Fire Apparatus, Inc., for fire gear and several payments to Pepsi for pop.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

PUBLIC PURCHASES LAW

The Township paid \$84,115 on January 17, 2008, to Towers Fire Apparatus, Inc., for fire gear. Evidence of quotes was not presented for examination. Also, no evidence of a special purchase was presented for examination.

HARRIS TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

If the purchasing agent expects the purchase to be at least \$50,000 and not more than \$150,000, the purchasing agent may purchase supplies by inviting quotes from at least three persons known to deal in the lines or classes of supplies to be purchased. [IC 5-22-8-3] The purchasing agent shall mail an invitation to quote at least seven days before the time fixed for receiving quotes. [IC 5-22-8-3] (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 19)

Notwithstanding any other provision of IC 5-22, a purchasing agent may make a purchase under IC 5-22-10 without soliciting bids or proposals. [IC 5-22-10-1] A governmental body shall maintain a record listing all contracts made under IC 5-22-10 for a minimum of five years. The record must contain the following information:

1. Each contractor's name.
2. The amount and type of each contract.
3. A description of the supplies purchased under each contract. [IC 5-22-10-3] A purchasing agent shall maintain the contract records for a special purchase in a separate file.

A purchasing agent shall include in the contract file a written determination of the basis for the special purchase and the selection of a particular contractor. The contract records for a special purchase are subject to annual audit by the State Board of Accounts. [IC 5-22-10-3] (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 19)

CONTRACTS

Records presented for examination indicate payments were made to the Harris Fire Department, \$8,000 annually for 2007, 2008, and 2009 for firemen's retirement funding without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN CASH BALANCES

The cash balances of the following funds had significant overdrawn cash balances: Firefighting Fund, \$1,325,478 at December 31, 2008, and \$392,799 at December 31, 2009; and Fire Emergency Loan Fund, \$4,990 at December 31, 2007.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

HARRIS TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2010, with Robert A. Wood, Trustee; and Angela Faulkner, Chairman of the Township Board.