

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

PENN TOWNSHIP

ST. JOSEPH COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED

03/21/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Jeffrey M. Dean	01-01-07 to 12-31-14
Chairman of the Township Board	John Artusi	01-01-10 to 12-31-10
	Kent Hizer	01-01-11 to 12-31-11
	Charlie Gray	01-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of Penn Township (Township), for the period of January 1, 2010 to December 31, 2010. The Township's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Township for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Township's management and Township Board and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 2, 2012

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Township.
The financial statement and notes are presented as intended by the Township.

PENN TOWNSHIP, ST. JOSEPH COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Township	\$ 108,576	\$ 265,221	\$ 312,244	\$ 61,553
Township Assistance	213,463	591,429	639,538	165,354
Fire Fighting	113,014	1,665,079	1,444,347	333,746
Cumulative Fire	112,935	694,656	275,274	532,317
Park And Recreation	68,342	238,928	248,711	58,559
Fire Debt	101,506	628,387	626,704	103,189
Rainy Day	26,178	74,640	81,771	19,047
Township Assistance Debt	77,508	61,441	123,953	14,996
Fire Equipment	2,507	119,660	118,971	3,196
Fire Donations	-	28,478	-	28,478
Emergency Fire Loan	19,078	758,638	652,538	125,178
Youth Center Donations	4,876	-	-	4,876
Payroll Deductions	3,879	708,353	706,592	5,640
	<u>3,879</u>	<u>708,353</u>	<u>706,592</u>	<u>5,640</u>
Totals	<u>\$ 851,862</u>	<u>\$ 5,834,910</u>	<u>\$ 5,230,643</u>	<u>\$ 1,456,129</u>

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

PENN TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

The accompanying financial statement presents the financial information for the Township (primary government), and does not include financial information for any of the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Township (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

PENN TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

PENN TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Township may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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.

PENN TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize 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.

Note 5. Risk Management

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Township by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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.

PENN TOWNSHIP, ST. JOSEPH COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Temporary Loans

As of December 31, 2010, the Fire Fighting Fund had a cash balance of \$333,746 and an outstanding \$480,247 temporary loan, payable during 2011. The Park and Recreation Fund had a cash balance of \$58,559 and an outstanding \$67,500 interfund loan, payable during 2011.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Township's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Township which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Township. It is presented as intended by the Township.

PENN TOWNSHIP, ST. JOSEPH COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Township	Township Assistance	Fire Fighting	Cumulative Fire	Park And Recreation	Fire Debt	Rainy Day
Cash and investments - beginning	\$ 108,576	\$ 213,463	\$ 113,014	\$ 112,935	\$ 68,342	\$ 101,506	\$ 26,178
Receipts:							
Taxes	140,351	390,681	815,955	124,499	130,234	268,540	28,640
Intergovernmental	-	-	-	40,500	-	-	-
Other receipts	124,870	200,748	849,124	529,657	108,694	359,847	46,000
Total receipts	<u>265,221</u>	<u>591,429</u>	<u>1,665,079</u>	<u>694,656</u>	<u>238,928</u>	<u>628,387</u>	<u>74,640</u>
Disbursements:							
Personal services	107,831	111,136	580,456	-	81,793	-	-
Supplies	4,533	175,095	155,447	-	7,147	-	-
Other services and charges	15,507	30,891	201,873	-	15,983	296,664	26,771
Capital outlay	1,146	5,896	-	91,230	110	-	-
Other disbursements	183,227	316,520	506,571	184,044	143,678	330,040	55,000
Total disbursements	<u>312,244</u>	<u>639,538</u>	<u>1,444,347</u>	<u>275,274</u>	<u>248,711</u>	<u>626,704</u>	<u>81,771</u>
Excess (deficiency) of receipts over disbursements	<u>(47,023)</u>	<u>(48,109)</u>	<u>220,732</u>	<u>419,382</u>	<u>(9,783)</u>	<u>1,683</u>	<u>(7,131)</u>
Cash and investments - ending	<u>\$ 61,553</u>	<u>\$ 165,354</u>	<u>\$ 333,746</u>	<u>\$ 532,317</u>	<u>\$ 58,559</u>	<u>\$ 103,189</u>	<u>\$ 19,047</u>

PENN TOWNSHIP, ST. JOSEPH COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Township Assistance Debt	Fire Equipment	Fire Donations	Emergency Fire Loan	Youth Center Donations	Payroll Deductions	Totals
Cash and investments - beginning	\$ 77,508	\$ 2,507	\$ -	\$ 19,078	\$ 4,876	\$ 3,879	\$ 851,862
Receipts:							
Taxes	17,147	175	-	583,507	-	-	2,499,729
Intergovernmental	-	-	-	-	-	-	40,500
Other receipts	44,294	119,485	28,478	175,131	-	708,353	3,294,681
Total receipts	61,441	119,660	28,478	758,638	-	708,353	5,834,910
Disbursements:							
Personal services	-	-	-	-	-	706,592	1,587,808
Supplies	-	-	-	-	-	-	342,222
Other services and charges	-	-	-	310,817	-	-	898,506
Capital outlay	-	-	-	-	-	-	98,382
Other disbursements	123,953	118,971	-	341,721	-	-	2,303,725
Total disbursements	123,953	118,971	-	652,538	-	706,592	5,230,643
Excess (deficiency) of receipts over disbursements	(62,512)	689	28,478	106,100	-	1,761	604,267
Cash and investments - ending	\$ 14,996	\$ 3,196	\$ 28,478	\$ 125,178	\$ 4,876	\$ 5,640	\$ 1,456,129

PENN TOWNSHIP, ST. JOSEPH COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 Decemeber 31, 2010

<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>	<u>Fund/ Department</u>
Bonds payable:			
General obligation bonds:			
2004 Fire station building	<u>\$ 1,360,000</u>	<u>\$ 294,050</u>	Fire Debt

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXAMINATION RESULTS AND COMMENTS

CLEANING SERVICE CONTRACT

For the year 2010, the Administrative Assistant/Township Clerk was paid \$12,322.50 based on a cleaning service contract. This pay was in addition to her pay as Administrative Assistant/Township Clerk. There were no time records presented for our examination to show the hours the Administrative Assistant/Township Clerk worked cleaning the Township offices. A similar comment was included in the prior report, file number B37024.

The office cleaning contract was entered into on April 12, 2007, between the Administrative Assistant/Township Clerk and the Trustee. This contract shows the pay for cleaning will be \$15 per hour and the hours may not exceed 40 hours per week. The contract also shows it is in effect from the date signed until terminated by either the Trustee or the below signed cleaning person.

The final two 2010 cleaning service payments to Administrative Assistant/Township Clerk, totaling \$1,500, were paid on vendor checks, but had no supporting invoice or other record showing the hours worked. The \$1,500 was included on the IRS 1099 form issued to the Administrative Assistant/Township Clerk. The other 2010 cleaning service payments to the Administrative Assistant/Township Clerk were paid through payroll. As a result, the Township incurred \$827.95 in employer FICA and Medicare taxes. The cleaning service position is not listed on the Form 17, a resolution showing Board approved employee salaries. The July 15, 2010 Board meeting minutes include a notation that Administrative Assistant/Township Clerk resigned from her cleaning of the offices and that the staff will now clean the office at no cost to the Township.

We have included \$12,322.50 in the Schedule of Questioned Costs, see page 27.

Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

IC 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. The Federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

COMPENSATION AND BENEFITS

Sarah Sharp, former Administrative Assistant/Township Clerk, was not paid at an approved rate for her part-time hours. During her part-time status, she was paid at hourly rates we calculated ranging from \$16.53 to \$18.87. The Administrative Assistant/Township Clerk's rate of pay approved by the Board was \$31,000 annually for 2010 and for 2011. For 26 biweekly paychecks, this calculates to \$1,192.31 per paycheck. She was paid 20 paychecks during the first part of 2010 at a \$1,192.31 biweekly rate, which calculates to \$15.90 per hour for the 75 hour biweekly period. The following schedule shows Sarah Sharp's part-time hours from when she became part-time until she no longer worked for the Township.

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

Period Ending	Gross Pay	Total Hours	Calculated Rate	Hours			
				Regular	Holiday	Vacation	Personal
10-08-10	\$ 1,000.00	60.50	\$ 16.53	60.50	-	-	-
10-22-10	1,000.00	53.00	18.87	53.00	-	-	-
11-05-10	1,000.00	53.00	18.87	45.50	7.50	-	-
11-19-10	1,000.00	53.00	18.87	45.50	7.50	-	-
12-03-10	1,000.00	60.50	16.53	45.50	15.00	-	-
12-17-10	1,000.00	53.50	18.69	50.00	-	3.50	-
12-31-10 *	1,000.00	55.58	17.99	48.08	7.50	-	-
01-14-11	1,025.00	57.00	17.98	53.50	-	3.50	-
01-28-11	598.50	33.25	18.00	33.25	-	-	-
02-11-11	1,044.00	58.00	18.00	40.50	-	15.50	2.00
Totals	<u>\$ 9,667.50</u>	<u>537.33</u>		<u>475.33</u>	<u>37.50</u>	<u>22.50</u>	<u>2.00</u>

*No time sheet available - estimate using average of other six \$1,000 payments and one holiday for Christmas (Friday)

We multiplied Sarah Sharp's part-time hours by her approved rate, \$15.90 per hour. This calculates to \$8,543.55 compared to Sarah Sharp's actual part-time status pay, \$9,667.50. We requested payment from Sarah Sharp, former Administrative Assistant/Township Clerk, and Jeffrey M. Dean, Trustee, jointly and severally for this difference, \$1,123.95. (See Summary, page 28)

Total Part Time Hours	537.33
Approved Rate	<u>\$ 15.90</u>
Calculated Correct Pay	\$ 8,543.55
Actual Part Time Status Pay	<u>9,667.50</u>
Overpayment	<u>\$ 1,123.95</u>

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)

PER DIEM AND ADVANCE PAYMENTS

On February 3, 2010, Jeffrey M. Dean, Trustee, reimbursed himself and the three Board members: John Artusi, Joseph Ganser, and Ron DeWinter, \$420 each, which included per diem, \$100 for each of three days, and \$120 mileage reimbursement to travel to and attend a conference in Indianapolis from February 7, 2010 to February 10, 2010.

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

On September 24, 2010, the Trustee reimbursed himself \$508, which included per diem, \$100 for each of four days, and \$108 mileage reimbursement to travel to and attend a conference in Indianapolis from September 26, 2010 to September 30, 2010.

There were no invoices or other documentation to support the travel expenses for the per diem payments. In another instance, the Trustee advanced per diem and mileage reimbursement to Joseph Ganser and Mr. Ganser turned in supporting receipts to show his travel expenses and paid back \$249.03 in unspent per diem.

The mileage distance from Mishawaka to Indianapolis is 142 miles according to the official State of Indiana highway map. At the State approved rate of 40 cents per mile, this calculates to \$114 round trip. The mileage reimbursement amounts shown in the first two paragraphs appear reasonable. However, the mileage reimbursements were not submitted using the Form 101, Mileage Claim.

The Township's travel policy, revised and signed by the Trustee and the three Board members on November 24, 2009, shows, under Article 5 - Per Diem: "Township Officials shall keep receipts of all expenses for meals and/or taxicab travel with a maximum per diem of \$100 for Indiana travel . . ."

We requested payment from Jeffrey M. Dean, Trustee, of \$700, for the undocumented per diem payments he paid himself. (See Summary, page 28)

We have included \$900 in the Schedule of Questioned Costs for the undocumented per diem payments the Trustee paid the Board members, see page 27.

The Trustee should obtain per diem documentation from the Board members or ask that the Board members reimburse the Township.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (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)

STIPENDS PAID IN ADVANCE

Some employees were paid stipends in advance. For instance, the Trustee received his \$11,000 2010 stipend as follows: \$2,750 on January 1, \$5,500 on January 15, and \$2,750 on January 25. The Administrative Assistant/Township Clerk received her \$8,000 stipend as follows: \$4,000 on January 1, \$2,000 on January 15, and \$2,000 on February 12. Other employees received their stipend throughout the year. For instance, one of the full-time firemen received his \$5,000 stipend in equal \$1,250 amounts on March 26, June 18, September 24, and November 19.

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

The stipend is authorized by the Form 17, Resolution, approved by the Board showing employees' rates of pay. The Form 17 shows that the stipend is for the year, similar to employees' salary. The Form 17 shows that only the following full-time employees receive the stipend: Township Trustee, Administrative Assistant/Township Clerk, Fire Chief, Full-Time Firemen (2), Full-Time Poor Relief Investigators (2), and the Director of Food Pantry. At the January 17, 2011 Board meeting, the Trustee explained that the stipends are in lieu of health insurance and were adopted before he became Trustee.

Effective with the pay period beginning September 27, 2010, Sarah Sharp, former Administrative Assistant/Township Clerk, became a part-time employee. Her time records show for the remainder of the year, she worked 53 hours during three biweekly periods, 53.5 hours during another, and 60.5 hours during two other biweekly pay periods. The Township's Policy manual defines full-time employees as "a person who is scheduled to work on the average of 35 to 37.5 hours per week or more during the calendar year" and defines a regular part-time employee as "a person who is scheduled to work less than 30 hours per week on a regular basis."

We prorated the annual stipend for the portion of the year that Sarah Sharp, former Administrative Assistant/Township Clerk, was part-time and calculated \$2,104.11 of the stipend was paid while she was considered a part-time employee. We requested payment from Sarah Sharp, former Administrative Assistant/Township Clerk, and Jeffrey M. Dean, Trustee, jointly and severally, in the amount of \$2,104.11. (See Summary, page 28)

Employee stipends were included on the employees' IRS W-2 forms.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

USE OF TOWNSHIP CREDIT CARDS

The prior report, file number B37024, included an exception showing that a total of \$35,046 was charged to the Township's credit card between November 14, 2008 and February 10, 2010. The report also showed that \$8,614 was for lodging expenses incurred for conferences; \$8,569 was for meals and tips charged on the credit card locally and while in travel status; \$7,527 was for other charges such as computers, air line tickets, valet parking, conference registrations, and TRANSPO riding passes; \$1,961 was for personal purchases made and paid by the Township Trustee; and \$8,376 was for personal purchases made and paid by the Administrative Assistant/Township Clerk.

At its October 28, 2010 Board meeting, the Township Board approved eliminating the Township credit card. Credit card statements show that the Township credit card was used sparingly after the prior examination was completed. The following schedule summarizes the credit card purchases after February 10, 2010:

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

Date	Total Purchases	Local Meals	Other	
10-22-10	\$ 744.12	\$ -	\$ 744.12	Lodging - Indianapolis
09-21-10	67.95	-	67.95	Windows
08-10-10	39.56	-	39.56	Custodial supplies
07-08-10	440.00	-	440.00	Postage stamps
07-08-10	34.20	-	34.20	Custodial supplies
07-02-10	13.17	13.17	-	Carol's Downtown - Mishawaka
06-11-10	347.49	-	347.49	Lodging - Indianapolis
06-07-10	45.58	45.58	-	Reggios - Mishawaka
06-01-10	444.11	-	444.11	Personal - reimbursed
05-18-10	64.71	64.71	-	Reggios - Mishawaka
05-06-10	5.54	-	5.54	Postage
05-03-10	20.59	20.59	-	Reggios - Mishawaka
04-26-10	220.00	-	220.00	Postage stamps
04-22-10	22.77	22.77	-	Barnaby's - Mishawaka
04-22-10	40.17	40.17	-	Villa Macri's - Granger
04-14-10	30.77	-	30.77	Walgreens - no invoice
04-14-10	87.72	87.72	-	Carrabba's - Mishawaka
03-03-10	1,145.97	-	1,145.97	DMI Dell - no invoice
02-11-10	1,526.96	-	1,526.96	Lodging - Indianapolis
02-16-10	93.62	93.62	-	Blue Lantern - Mishawaka
02-26-10	372.06	-	372.06	Lodging - Indianapolis
Totals	<u>\$ 5,807.06</u>	<u>\$ 388.33</u>	<u>\$ 5,418.73</u>	

The schedule shows two credit card purchases in the amounts of \$30.77 and \$1,145.97 that were not supported by an invoice. The latter payment was for a computer purchase. On January 12, 2012, the Trustee showed us that he returned the computer equipment to the Township office. The computer equipment had been at his personal residence. We have included the \$30.77 payment in the Schedule of Questioned Costs, see page 27.

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)

SUPPORTING DOCUMENTATION

During our review of disbursements, we found expenditures which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Examples include credit card payments shown in the schedule above and the following meal reimbursements to employees: \$55.87 to Sarah Sharp, former Administrative Assistant/Township Clerk, incurred September 26, 2010, and \$17.52 to Joseph Ganser, Board member, incurred August 17, 2010. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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

We have included the total of these two items, \$73.39, in the Schedule of Questioned Costs, see page 27.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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)

PERSONAL PROPERTY USE

On June 24, 2010, the Township paid \$289.81 for a lawn mower. The payment was made from the Township Assistance Fund. In order to determine the whereabouts of the mower, we asked the Trustee, the Administrative Assistant, the Food Pantry Director, the Fire Chief, and the cemetery maintenance employee. Township officials could not determine the location of the mower or explain why this mower was not available for our observation.

On January 12, 2012, the Trustee explained that the mower was at his personal residence and he intended to return the mower to the Township office.

We have included this mower purchase, \$289.81, in the Schedule of Questioned Costs, see page 27.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

PART-TIME EMPLOYEES' HOLIDAY PAY

Part-time Township employees received 7.5 hours regular pay on holidays. The Township's Policy Manual shows that, "Regular part-time employees who completed thirty (30) calendar days of 'active employment' and who regularly work more than twenty (20) hours per week on a continuing basis shall be credited with four (4) hours at the regular rate of pay when a holiday occurs."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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

PARK AND RECREATION FUND EXPENDITURES

During 2010, \$110,419 was expended from Township's Park and Recreation Fund to pay for the salaries and operating costs of the Township's food pantry program.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for townships, Chapter 13)

FOOD PANTRY DONATIONS

Financial transactions of the Township food pantry were not accounted for on the Trustee's financial ledger. Reports provided by the Food Pantry Director show that the food pantry had \$55,290 total 2010 receipts. Disbursements included food and personal care items purchased and a portion of the food pantry operation costs. On April 15, 2011, the cash balance of the food pantry, \$31,995, was receipted to the Trustee's financial ledger.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

RECEIPT ISSUANCE

The Township food pantry did not issue receipts when monies were collected. Food pantry financial reports show that total receipts were \$55,290 during 2010.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DISPOSAL OF FIRE EQUIPMENT

The Township's fire department sold fire equipment during 2010, but the Township Board minutes do not show that the Board approved the sales. On February 4, 2010, the ledger shows \$13,000 received from another township for sale of extrication equipment. On December 30, 2010, the ledger shows \$160,000 received from another township for sale of the 02/03 Alexis fire truck. A similar comment was included in the prior examination report, file number B37024.

The Fire Chief provided us with a letter dated December 14, 2010, that he sent to the Trustee and members of the Board requesting that they consider: declaring the fire truck to be sold as surplus and that the fire truck be sold to a specific fire department for \$160,000. The Fire Chief explained to us that his Deputy advertised and obtained bids.

IC 5-22-22-12 states in part:

". . . (c) Notwithstanding section 4, 4.5, or 5 of this chapter, a governmental body may transfer title of surplus property to a fire department for the fire department's use in providing fire protection or emergency services.

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

(d) A fire department located in the same county as the governmental body offering the surplus property for transfer has the right of first refusal for all surplus property offered. Surplus property that is refused by the fire departments located in the same county as the governmental body may be transferred to any fire department in Indiana.

(e) A governmental body may transfer title of surplus property to a fire department under this section by:

- (1) sale;
- (2) gift; or
- (3) another arrangement acceptable to the governmental body and the fire department."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Fire Fighting	<u>\$ 242,542</u>

A similar comment was included in the prior report, file number B37024.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Officials or employees of the Township had money due from the Township, but a list of such employees was not certified to the County Treasurer. A similar comment was included in the prior report, file number B37024.

Indiana Code 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision and the township executive shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

SALES TAX

During our review of disbursements, we found two instances in which sales tax was paid for purchases. One instance included \$4.45 in sales tax paid by the Township and the other instance included \$2.59 in sales tax paid by the Township.

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

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CAPITAL ASSET RECORDS

Information presented for examination did not indicate a 2010 inventory or record of capital assets using a Capital Asset Ledger, General Form 369, or a similar form. A December 31, 2009, capital asset record was provided to us but it had no 2010 transactions. The financial ledger shows purchases and disposals of capital assets.

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)

EXAMINATION COSTS

The State of Indiana incurred additional examination fees in the investigation due to poor records, nonexistent records or other inadequate bookkeeping practices. The State of Indiana is requesting reimbursement of examination fees incurred in the amount of \$3,042.19.

We have requested Jeffrey M. Dean, Trustee, reimburse the State of Indiana \$3,042.19 for additional examination costs incurred. (See Summary, page 28)

Examination costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OFFICIAL BOND AND CRIME/EMPLOYEE THEFT INSURANCE

Jeffrey M. Dean, Trustee, was covered under an official bond in the amount of \$45,000 with Ohio Casualty Insurance Company for the period January 1, 2010 to December 31, 2010. The Township also had crime/employee theft insurance policies with National Fire and Casualty Company with a \$40,000 limit of insurance and \$500 deductible per occurrence for the periods July 1, 2009 to June 30, 2010, and July 1, 2010 to June 30, 2011.

PENN TOWNSHIP, ST. JOSEPH COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2012, with Charlie Gray, Chairman of the Township Board. On January 19, 2012, we also discussed the report with Sarah Sharp, former Administrative Assistant/Township Clerk. On February 2, 2012, we discussed this report with Jeffrey M. Dean, Trustee.

PENN TOWNSHIP, ST. JOSEPH COUNTY
SCHEDULE OF QUESTIONED COSTS

Cleaning Service Contract, page 17	\$ 12,322.50
Per Diem and Advance Payments, pages 18 and 19	900.00
Use of Township Credit Cards, pages 20 and 21	30.77
Supporting Documentation, pages 21 and 22	73.39
Personal Property Use, page 22	<u>289.81</u>
Totals	<u>\$ 13,616.47</u>

PENN TOWNSHIP, ST. JOSEPH COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sarah Sharp, former Administrative Assistant/Township Clerk, and Jeffrey M. Dean, Trustee, jointly and severally:			
Compensation and Benefits, pages 17 and 18	\$ 1,123.95	\$ -	\$ 1,123.95
Stipends Paid in Advance, pages 19 and 20	<u>2,104.11</u>	<u>-</u>	<u>2,104.11</u>
Totals, Sarah Sharp and Jeffrey M. Dean	<u>3,228.06</u>	<u>-</u>	<u>3,228.06</u>
Jeffrey M. Dean, Trustee:			
Per Diem and Advance Payments, pages 18 and 19	700.00	-	700.00
Examination Costs, page 25	<u>3,042.19</u>	<u>-</u>	<u>3,042.19</u>
Totals, Jeffrey M. Dean	<u>3,742.19</u>	<u>-</u>	<u>3,742.19</u>
Totals	<u>\$ 6,970.25</u>	<u>\$ -</u>	<u>\$ 6,970.25</u>

AFFIDAVIT

STATE OF INDIANA)
St. Joseph)
COUNTY)

I, Bruce Snyder, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of Penn Township, St. Joseph County, Indiana, for the period from January 1, 2010 to December 31, 2010, is true and correct to the best of my knowledge and belief.

Bruce Snyder
Field Examiner

Subscribed and sworn to before me this 1st day of March, 2012

Bethie T. Jackson
Notary Public

My Commission Expires: Feb. 19, 2015

County of Residence: St. Joseph