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# Harris Township

SINCE 1909



NEIGHBORS, SHORES & MORE

## MISSION STATEMENT

The Harris Town Board strives to enhance the quality of life, protect the environment, and maintain economic stability for the residents of their community.

[www.harristownshipmn.org](http://www.harristownshipmn.org)

## Audit Work Session

### Minutes

April 26, 2023

5:30 pm Harris Town Hall

**Present:** Madam Chair Clayton, Supervisors Schack, Davies, Gilbert & Kelley; Treasurer Kopacek

**Others Present Via Zoom:** Kristen Houle

The purpose of the Work Session was to discuss results of the 2022 Audit conducted by Clifton, Larson, Allen LLP.

The work session was called to order at 5:30 pm by Madam Chair Clayton.

Pledge to the flag was conducted.

Kristen Houle reviewed the Auditor communications letter, significant audit findings and issues, and qualitative aspects of accounting practices, which covered policy estimates, financial statement disclosures. The auditor did not encounter any significant difficulties dealing with management in performing and completing the Audit.

Kristen further reviewed audit results, required communications, and financial results. The audit results showed adverse opinion on the financial statements due to the town, not recording infrastructure assets, and governmental activities and certain capital assets prior to 2009.

\*Material weaknesses were limited to 1) segregation of duties; 2) material audit adjustment; and 3) internal control over the financial reporting process.

Limited segregation of duties did show that the town treasurer has a primary responsibility for virtually all of the accounting and financial duties. As a result many of those aspects of internal accounting control, which rely upon an adequate segregation of duties are for all practical purposes, not available in the staffing scenario. The auditor recognizes that the towns cost /benefit analysis has concluded the employment of additional persons for the purpose of segregated duties is not practicable from a financial standpoint, but the auditor is required under professional responsibilities to call the situation to the township's attention. The town should utilize the board of supervisors oversight of the budgeting, cash, reconciling, receipts and disbursements process to the maximum extent possible to mitigate the absent of segregation of duties. A special note: the treasurer is providing a monthly bank statement to the board when she provides the treasurers report.

Kristen will provide some details regarding things that the board can do to better themselves in the area of "segregation of duties."

The material audit adjustments proposed by the auditor were proposed entries to adjust the cash basis records to an accrual basis of accounting, including the recording of unearned revenue for the portion of the American rescue act grant that was not spent as of December 31, 2022. The entries relate to internal controls over the year end closeout process. The absence of a complete control procedure or process in this area is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be

prevented or detected by the towns internal control process. The auditor recommends the Town management continue to review and approve the adjusted entries proposed.

The internal control over the financial reporting process showed that management is responsible for establishing and maintaining internal controls, and for the fair presentation of the financial statements, including the related disclosures, and conformity with accounting principles, generally accepted by GAAP. The town does not have an internal control policy in place over annual financial reporting that will enable mgmt. to prepare its annual financial statements and related footnote disclosures. Management did inform the auditors that they do not have an internal control policy in place over the financial reporting, and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures. The town relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management has reviewed and approved the annual financial statements and the related footnote disclosures. Management should continue to evaluate their internal staff capacity to determine if an internal control policy or the annual financial reporting is beneficial.

The Minnesota legal compliance showed a lack of second quote for projects between \$25,000 and \$175,000. Also, the Town needs to have the IC-134 form completed prior to final payment for a project.

The townships fund structure includes the general fund, special revenue funds, which are broken down to two major funds, and 4 nonmajor funds, as well as capital projects fund.

The general fund showed an increase in the levy by \$25,000, an increase of \$100,000 due to the Blandn Foundation grant, and an increase in expenditures related to the Woodtick landing project.

The Road and Bridge Fund showed an increase in levy by \$65,000, and a decrease in expenditures due to less road projects in 2022. The fire fund showed an increase in levy by \$10,000, and a decrease in expenditures due to a decrease in fire calls.

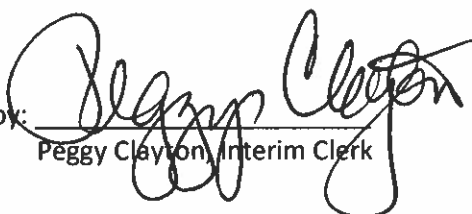
The key issues and summary provided also shows financial stability of 3.6 months of expenditures in the fund balance for all governmental funds combined; and 10.3 months of expenditures in the fund balance for the general fund. The auditor recommendation regarding "segregation of duties" is to continue to separate duties as deemed cost beneficial.

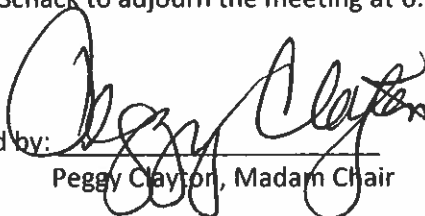
GASB 96 for 2023 was also discussed. This is a subscription/web-based application to be used for those programs such as Adobe Pro, GoDaddy, Vc3, website, etc (spreadsheet format), that the board pays on an annual basis,

Discussed held on making sure that the financial statements are published prior to the end of June 2023, and also submitted to the state.

There was no further business discussed.

A motion was made by Supervisor Davies and seconded by Supervisor Schack to adjourn the meeting at 6:15 pm.

Submitted by:   
Peggy Clayton, Interim Clerk

Signed by:   
Peggy Clayton, Madam Chair