

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

EXAMINATION REPORT
OF
DEWEY TOWNSHIP
LAPORTE COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
12/06/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Dick E. Bucher	01-01-03 to 12-31-06
Chairman of the Township Board	Paul Malecki	01-01-04 to 12-31-06
Superintendent of Schools	Norm Kleist	01-01-04 to 12-31-06
Principal	Martin D. Freeman	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF DEWEY TOWNSHIP, LAPORTE COUNTY, INDIANA

We have examined the financial information presented herein of Dewey Township (Township), for the period of January 1, 2004 to December 31, 2005. 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 present fairly, in all material respects, the financial information of the Township for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 30, 2006

DEWEY TOWNSHIP, LAPORTE COUNTY
STATEMENT OF CASH AND INVESTMENTS
December 31, 2004

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>837,833</u>
<u>Net Assets</u>	
Unrestricted Net Assets	\$ <u>837,833</u>

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

DEWEY TOWNSHIP, LAPORTE COUNTY
STATEMENT OF CASH AND INVESTMENTS
December 31, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	<u>\$ 950,229</u>
<u>Net Assets</u>	
Unrestricted	<u>\$ 950,229</u>

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

DEWEY TOWNSHIP, LAPORTE COUNTY
STATEMENT OF CASH ACTIVITIES
For the Year Ended December 31, 2004

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
General government	\$ 52,916	\$ -	\$ -	\$ (52,916)
Public safety	23,798	-	-	(23,798)
Culture and recreation	6,113	-	-	(6,113)
Health and welfare	1,741	-	-	(1,741)
Instruction	842,982	-	14,286	(828,696)
Support services	921,887	47,784	14,041	(860,062)
Nonprogrammed charges	396,401	-	-	(396,401)
Debt service	314,893	-	-	(314,893)
Total governmental activities	<u>\$ 2,560,731</u>	<u>\$ 47,784</u>	<u>\$ 28,327</u>	<u>(2,484,620)</u>
General receipts:				
Property taxes				1,109,751
Other local sources				472,041
State aid				763,431
Grants and contributions not restricted				67,767
Bonds and loans				310,000
Sale of property, adjustments, and refunds				9,022
Investment earnings				10,070
Miscellaneous				14,209
				<u>2,756,291</u>
Total general receipts				<u>2,756,291</u>
Change in cash and investments				271,671
Net assets - beginning				<u>566,162</u>
Net assets - ending				<u>\$ 837,833</u>

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

DEWEY TOWNSHIP, LAPORTE COUNTY
STATEMENT OF CASH ACTIVITIES
For the Year Ended December 31, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
General government	\$ 41,923	\$ -	\$ -	\$ (41,923)
Public safety	16,388	-	-	(16,388)
Culture and recreation	3,416	-	-	(3,416)
Health and welfare	1,351	-	-	(1,351)
Instruction	860,019	-	6,259	(853,760)
Support services	897,523	49,034	12,149	(836,340)
Community services	269	-	-	(269)
Nonprogrammed charges	290,077	-	-	(290,077)
Total governmental activities	\$ 2,110,966	\$ 49,034	\$ 18,408	(2,043,524)
General receipts:				
Property taxes				800,869
Other local sources				483,580
State aid				807,042
Grants and contributions not restricted				27,645
Sale of property, adjustments, and refunds				12,439
Investment earnings				17,007
Miscellaneous				7,338
				2,155,920
				112,396
				837,833
				\$ 950,229

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

DEWEY TOWNSHIP, LAPORTE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2004

	Township General	School General	Transportation Operating	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 61,710	\$ 1,163,365	\$ 116,974	\$ 184,561	\$ 18,532	\$ 94,411	\$ 1,639,553
Intermediate sources	-	-	-	-	-	92	92
State sources	-	785,292	-	-	-	22,658	807,950
Federal sources	-	8,678	-	-	-	42,897	51,575
Bonds and loans	-	310,000	-	-	-	-	310,000
Sale of property, adjustments and refunds	-	8,873	-	-	-	150	9,023
Miscellaneous	6,312	-	-	-	-	7,897	14,209
Total receipts	68,022	2,276,208	116,974	184,561	18,532	168,105	2,832,402
Disbursements:							
Current:							
General government	52,916	-	-	-	-	-	52,916
Public safety	-	-	-	-	-	23,798	23,798
Culture and recreation	-	-	-	-	-	6,113	6,113
Health and welfare	-	-	-	-	-	1,741	1,741
Instruction	-	807,678	-	-	-	35,304	842,982
Support services	-	662,209	88,568	107,101	-	64,009	921,887
Nonprogrammed charges	-	381,546	-	-	-	14,855	396,401
Debt services	-	314,893	-	-	-	-	314,893
Total disbursements	52,916	2,166,326	88,568	107,101	-	145,820	2,560,731
Excess of total receipts over total disbursements	15,106	109,882	28,406	77,460	18,532	22,285	271,671
Cash and investments - beginning	37,959	422,164	19,693	(55,374)	73,576	68,144	566,162
Cash and investments - ending	<u>\$ 53,065</u>	<u>\$ 532,046</u>	<u>\$ 48,099</u>	<u>\$ 22,086</u>	<u>\$ 92,108</u>	<u>\$ 90,429</u>	<u>\$ 837,833</u>

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

DEWEY TOWNSHIP, LAPORTE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	Township General	School General	Transportation Operating	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 34,426	\$ 1,046,873	\$ 66,728	\$ 122,602	\$ -	\$ 79,860	\$ 1,350,489
State sources	-	808,642	-	-	-	19,552	828,194
Federal sources	-	-	-	-	-	24,901	24,901
Sale of property, adjustments and refunds	-	12,366	-	-	-	74	12,440
Miscellaneous	7,338	-	-	-	-	-	7,338
Total receipts	41,764	1,867,881	66,728	122,602	-	124,387	2,223,362
Disbursements:							
Current:							
General government	41,923	-	-	-	-	-	41,923
Public safety	-	-	-	-	-	16,388	16,388
Culture and recreation	-	-	-	-	-	3,416	3,416
Health and welfare	-	-	-	-	-	1,351	1,351
Instruction	-	841,486	-	-	-	18,533	860,019
Support services	-	598,109	96,389	106,220	-	96,805	897,523
Community services	-	-	-	-	-	269	269
Nonprogrammed charges	-	283,970	-	-	-	6,107	290,077
Total disbursements	41,923	1,723,565	96,389	106,220	-	142,869	2,110,966
Excess (deficiency) of total receipts over (under) total disbursements	(159)	144,316	(29,661)	16,382	-	(18,482)	112,396
Cash and investments - beginning	53,065	532,046	48,099	22,086	92,108	90,429	837,833
Cash and investments - ending	<u>\$ 52,906</u>	<u>\$ 676,362</u>	<u>\$ 18,438</u>	<u>\$ 38,468</u>	<u>\$ 92,108</u>	<u>\$ 71,947</u>	<u>\$ 950,229</u>

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

DEWEY TOWNSHIP, LAPORTE COUNTY
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUND
December 31, 2004

<u>Assets</u>	<u>Agency Fund</u>
Cash and investments	\$ <u>(178)</u>

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

DEWEY TOWNSHIP, LAPORTE COUNTY
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUND
December 31, 2005

<u>Assets</u>	<u>Agency Fund</u>
Cash and investments	<u>\$ 417</u>

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

DEWEY TOWNSHIP, LAPORTE COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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 the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and community centers), general administrative services (weed and dog control), public education and school transportation.

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

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.

DEWEY TOWNSHIP, LAPORTE COUNTY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Teacher's Retirement Fund

Plan Description

The Township contributes to the Indiana Teacher's Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the Township authority to contribute to the plan. The TRF 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 Township may elect to make the contributions on behalf of the member.

TRF 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:

Teacher's Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

The Township contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The Township currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

DEWEY TOWNSHIP, LAPORTE COUNTY
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST AND OTHER CHARGES

Amounts payable to state agencies, vendors and other suppliers of goods and services are not always being paid timely.

Penalties and interest charges paid due to late payments totaled \$823.80. We requested repayment of \$823.80 from the Township Trustee for the penalties and interest paid. The Trustee repaid the Township \$823.80 on October 25, 2006. (See Summary, page 18)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN CASH BALANCES

The cash balance of the Medical Reimbursement Fund was overdrawn at December 31, 2004, by \$178. The cash balances of the Textbook Rental and REAP Grant Funds were overdrawn at December 31, 2005, by \$12,047 and \$2,126, respectively. Similar comments have appeared in prior reports.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect. Posting errors and incorrect outstanding check amounts resulted in cash differences each month. The bank balances reported at December 31, 2004 and 2005, indicated cash necessary to balance of \$2,446 and \$7,757, respectively. Errors discovered during the examination reduced the cash necessary to balance at December 31, 2005, to \$324.

Indiana Code 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)

DEWEY TOWNSHIP, LAPORTE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS OVER PAYROLL

Controls over payroll transactions are insufficient. The Township uses a computer software program to process payroll. The program does not produce Employee's Earnings Record, Prescribed General Form 99B to verify the proper recording of individual employee's bi-weekly payroll; nor does the program produce other reports to accumulate annual totals to facilitate the preparation of year-end W-2's.

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)

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)

INTERNAL CONTROLS OVER MEDICAL REIMBURSEMENTS

The controls over the receipting, disbursing, recording, and accounting for the financial activities of the Section 125 Medical Reimbursements Fund were insufficient. Funds are withheld from employees' pay checks up to \$3,000 per year for the reimbursement of qualified medical expenses. However, no subsidiary ledger or other records are kept detailing the amount withheld from and reimbursed to each employee.

The lack of controls resulted in reimbursements in excess of the amounts withheld in prior report periods. A repayment agreement with one employee, who was reimbursed in excess of his withholdings, was inadvertently overlooked by Township Officials until brought to their attention during the current examination. The repayment of the excess amount was received by the report date.

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)

RECEIPT ISSUANCE

Receipts were not issued for the years 2004 and 2005, except for dog tax collections. Similar comments appeared in prior reports.

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)

OFFICIAL BOND

The Trustee's official bond for the period January 1, 2003 to December 31, 2006, was not filed in the office of the County Recorder as required.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder . . ."

DEWEY TOWNSHIP, LAPORTE COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Township does not maintain an inventory or record of capital assets. Similar comments appeared in prior reports.

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)

DEWEY TOWNSHIP, LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2006, with Dick E. Bucher, Trustee; Paul Malecki, Chairman of the Township Board; Norm Kleist, Superintendent of Schools; and Martin D. Freeman, Principal. The officials concurred with our examination findings.

DEWEY TOWNSHIP, LAPORTE COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Dick E. Bucher, Trustee:			
Penalties, Interest and Other Charges, page 14	\$ 823.80	\$ 823.80	\$ -