

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

EXAMINATION REPORT

OF

CASS TOWNSHIP

LAPORTE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

09/28/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Tim A. Guse	01-01-04 to 12-31-07
Chairman of the Township Board	Jacqueline A. Tharp	01-01-05 to 12-31-07
School Superintendent	Norm Kliest	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Cass Township (Township), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

August 9, 2007

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

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ <u>1,255,526</u>
<u>Net Assets</u>	
Unrestricted	\$ <u>1,255,526</u>

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

CASS TOWNSHIP, LAPORTE COUNTY
STATEMENT OF CASH AND INVESTMENTS
December 31, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	<u>\$ 1,107,625</u>
<u>Net Assets</u>	
Unrestricted	<u>\$ 1,107,625</u>

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

CASS 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	Totals
Governmental activities:				
General government	\$ 34,918	\$ -	\$ -	\$ (34,918)
Public safety	10,000	-	-	(10,000)
Health and welfare	2,954	-	-	(2,954)
Instruction	850,418	-	23,903	(826,515)
Support services	993,308	71,222	29,532	(892,554)
Nonprogrammed charges	<u>769,210</u>	<u>-</u>	<u>-</u>	<u>(769,210)</u>
Total governmental activities	<u>\$ 2,660,808</u>	<u>\$ 71,222</u>	<u>\$ 53,435</u>	<u>(2,536,151)</u>
General receipts:				
Property taxes				850,411
Other local sources				487,363
State aid				920,932
Grants and contributions not restricted				78,761
Investment earnings				<u>29,533</u>
Total general receipts				<u>2,367,000</u>
Change in cash and investments				(169,151)
Net assets - beginning				<u>1,424,677</u>
Net assets - ending				<u>\$ 1,255,526</u>

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

CASS TOWNSHIP, LAPORTE COUNTY
STATEMENT OF CASH ACTIVITIES
For the Year Ended December 31, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Totals
Governmental activities:				
General government	\$ 55,781	\$ -	\$ -	\$ (55,781)
Public safety	11,494	-	-	(11,494)
Health and welfare	4,788	-	-	(4,788)
Instruction	777,230	-	24,376	(752,854)
Support services	869,251	85,005	31,081	(753,165)
Community services	23,928	-	-	(23,928)
Nonprogrammed charges	836,850	-	-	(836,850)
Total governmental activities	\$ 2,579,322	\$ 85,005	\$ 55,457	(2,438,860)
General receipts:				
				898,612
				383,229
				891,932
				70,544
				46,642
				2,290,959
				(147,901)
				1,255,526
				\$ 1,107,625

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

CASS 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	\$ 41,865	\$ 1,044,022	\$ 31,285	\$ 191,430	\$ 23,942	\$ 105,929	\$ 1,438,473
Intermediate sources	-	56	-	-	-	-	56
State sources	-	921,597	-	-	-	57,160	978,757
Federal sources	-	5,448	3,243	-	-	65,680	74,371
Intergovernmental transfers	-	41,318	-	-	-	75,000	116,318
Total receipts	41,865	2,012,441	34,528	191,430	23,942	303,769	2,607,975
Disbursements:							
Current:							
General government	34,918	-	-	-	-	-	34,918
Public safety	-	-	-	-	-	10,000	10,000
Health and welfare	-	-	-	-	-	2,954	2,954
Instruction	-	793,290	-	998	-	56,130	850,418
Support services	-	543,198	84,877	184,709	56,125	124,399	993,308
Nonprogrammed charges	-	769,210	-	83,952	12,000	20,366	885,528
Total disbursements	34,918	2,105,698	84,877	269,659	68,125	213,849	2,777,126
Excess (deficiency) of total receipts over total disbursements	6,947	(93,257)	(50,349)	(78,229)	(44,183)	89,920	(169,151)
Cash and investments - beginning	12,212	343,053	161,180	560,837	173,397	173,998	1,424,677
Cash and investments - ending	<u>\$ 19,159</u>	<u>\$ 249,796</u>	<u>\$ 110,831</u>	<u>\$ 482,608</u>	<u>\$ 129,214</u>	<u>\$ 263,918</u>	<u>\$ 1,255,526</u>

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

CASS TOWNSHIP, LAPORTE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	Township General	School General	Transportation Operating	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 33,596	\$ 1,028,671	\$ 33,853	\$ 177,273	\$ 30,329	\$ 109,766	\$ 1,413,488
State sources	-	897,294	-	-	-	24,633	921,927
Federal sources	-	-	-	-	-	96,006	96,006
Intergovernmental transfers	-	651	-	-	-	-	651
Total receipts	33,596	1,926,616	33,853	177,273	30,329	230,405	2,432,072
Disbursements:							
Current:							
General government	55,781	-	-	-	-	-	55,781
Public safety	-	-	-	-	-	11,494	11,494
Health and welfare	-	-	-	-	-	4,788	4,788
Instruction	-	732,704	-	291	-	44,235	777,230
Support services	-	486,111	102,878	138,357	-	141,905	869,251
Community services	-	23,928	-	-	-	-	23,928
Nonprogrammed charges	-	836,850	-	-	-	651	837,501
Total disbursements	55,781	2,079,593	102,878	138,648	-	203,073	2,579,973
Excess (deficiency) of total receipts over total disbursements	(22,185)	(152,977)	(69,025)	38,625	30,329	27,332	(147,901)
Cash and investments - beginning	19,159	249,796	110,831	482,608	129,214	263,918	1,255,526
Cash and investments - ending	<u>\$ (3,026)</u>	<u>\$ 96,819</u>	<u>\$ 41,806</u>	<u>\$ 521,233</u>	<u>\$ 159,543</u>	<u>\$ 291,250</u>	<u>\$ 1,107,625</u>

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

CASS TOWNSHIP, LAPORTE COUNTY
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
December 31, 2006

<u>Assets</u>	<u>Agency Funds</u>
Cash and investments	\$ <u>11,406</u>

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

CASS TOWNSHIP, LAPORTE COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

Township, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The Township was established under the laws of the State of Indiana. The Township operates under a Board of School Trustees form of government and provides educational services.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash Activities – Statement of Cash and Investments displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

The township fund is the Township's primary operating fund and accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The school general fund is the Township's primary operating fund for public education and accounts for all financial resources of the Township school, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

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

Additionally, the Township reports the following fund type:

Agency funds account for assets held by the Township as an agent for other governmental entities.

B. Measurement Focus and Basis of Accounting

The government-wide, governmental and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The Township does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the Township's policy is to use restricted resources first, then unrestricted resources as they are needed.

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 June 30 of the year collected.

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

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.

Note 6. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Transportation Replacement	Other governmental	\$ 12,000	\$ -
Capital Projects	Other governmental	53,000	-
Capital Projects	General Fund	30,952	-
Other governmental	General Fund	10,366	651
Other governmental	Other governmental	<u>10,000</u>	<u>-</u>
Totals		<u>\$ 116,318</u>	<u>\$ 651</u>

The Township typically uses transfers for cash flow purposes in accordance with various statutes.

Note 7. 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:

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

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.

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.

CASS TOWNSHIP, LAPORTE COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 75,963	\$ 88,396	\$ (12,433)	86%	\$ 44,630	(28%)
07-01-04	76,577	80,025	(3,448)	96%	37,310	(9%)
07-01-05	80,520	118,747	(38,227)	68%	50,232	(76%)

CASS TOWNSHIP, LAPORTE COUNTY
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

1. The Township Assistance Purchase Order (Form TA-2) and the Township Form 18 for Dog Tax Collections are not prenumbered by the printing supplier but are hand numbered by the Township Clerk.
2. Form TA-1A Notice of Township Assistance Action, informing the applicant of action taken, was not completed.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not prepared monthly, but on a semiannual basis on June and December coinciding with the preparation of the semiannual report (Form 9) submitted to the Department of Education.

The bank reconciliation for December 31, 2005, included a deposit in transit of \$3,803.95 that could not be verified to the subsequent bank statement. The amount was later verified as an adjustment that was posted in 2006 after the new software was implemented.

The bank reconciliation for December 31, 2006, was not prepared until March of 2007.

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, than 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)

DISBURSEMENTS

1. All postings in 2005, except for payroll transactions, were posted to the General Ledger Activity Report as a Summary Cash Post. The postings could not be traced to the Detail Cash Disbursement Report. \$10,000, for example, was posted to the Summary Report but was not listed on the Detail Cash Disbursement Report.
2. Transactions, in 2005, were posted once a month in batch amounts.
3. Some disbursement postings in 2005 in the General Ledger Activity Report did not agree to the Cash Disbursement Report due to adjustments made in the General Ledger Activity Report only.
4. The transaction number on the Cash Disbursement Report in 2005 did not agree with the transaction number on the General Ledger Activity Report indicating that each posting was done separately instead of being interfaced with each other.

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

5. Some adjustments or corrections in 2005 were made to the ledger without supporting documentation or explanation. We could not always determine if the posting was a transaction or an adjustment to the ledger.
6. Nine disbursements were not supported by a purchase order.

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)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

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, than 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)

DOG TAGS

The following discrepancies were noted with the Dog Fund:

1. There are 7 dog tags in 2005 and 14 dog tags in 2006 that were not accounted for by the Township.
2. Receipts issued for dog tags could not be traced to the ledger. Receipts, in 2005, were \$110 more than the posting in the ledger. The ledger for 2006 exceeded the receipts by \$549.
3. Receipts are not being recorded in the ledger timely.

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)

COMPENSATION AND BENEFITS

Time sheets were not being maintained for the Township Clerk and a bus driver.

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. These requirements can be met by use of the following prescribed general forms:

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

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

FUND BALANCES

1. The ending cash balance at December 31, 2004, reported in the 2004 annual report does not agree with the beginning balance at January 1, 2005, reported in the 2005 annual report for the School General Fund, Firefighting Fund, Textbook Rental Fund, and Extra-Curricular Fund. The 2005 beginning fund balances exceeded the 2004 ending fund balances by \$7,205.69.
2. The following funds were not included in the General Activity Report in 2005: Township, Dog Fund, Rainy Day Fund, Education License Plates, Indiana Next Grant, Gifted and Talented, Title IV Grant, Enhancing Technology, and the Extra-Curricular Account. The Trustee was able to print some of the funds; however, funds with no activity during 2005 were not presented for examination. The amounts reported in the financials were from the annual report.

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

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)

RECEIPTS

1. Except for dog tag collection receipts, receipts were not issued by the Township in 2005 and 2006.
2. All postings for revenue in 2005 were entered as an AJE (Adjusting Journal Entry) with no detail or supporting documentation.
3. The entries were posted at the end of each month in 2005, instead of when the money was received.
4. Revenues in 2006 were posted without any detail or supporting documentation.

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

5. Some adjustments or corrections were made to the ledger without supporting documentation.

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)

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)

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

FIREFIGHTING CONTRACT PAYMENTS

The General Ledger Activity for 2005 included an adjusting journal entry in the Firefighting Fund on June 30, 2005, for a payment of \$10,000. However, the report does not list the check number or vendor. The payment was not listed on the Cash Disbursement Report for 2005 and no other documentation was presented for examination to support the disbursement as a payment for the 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)

COMPUTER CONTROLS

The computer software that was used in 2005 did not provide an audit trail. The software had the ability to print a check but not post the check to the record, for example, a check for \$10,000 was printed from the computer in December of 2004 but was not posted until June of 2005. Subsequently in 2006, a new software program was purchased that will alleviate the audit trail problem.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

The computerized accounting system must provide input edits and controls to assure that information entered into the system is accurate, that all appropriate information is entered into the system, and that information is entered into the system only once. All information entered into the system must be authorized through effective manual or electronic controls. Transaction dates should be based upon system generated dates which cannot be modified by the user. If necessary, the system may provide an additional effective date of the transaction that is user controlled. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

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

OVERDRAWN FUND BALANCES

The Class Size Reduction Fund and the Township Fund were overdrawn in 2006 by \$1,411 and \$3,026, respectively.

The fund 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 Cities and Towns, Chapter 7)

CASS TOWNSHIP, LAPORTE COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2007, with Tim A. Guse, Trustee; Norm Kleist, School Superintendent; and Jacqueline A. Tharp, Chairman of the Township Board . The official response has been made a part of this report and may be found on pages 22 and 23.

Cass Township

OFFICIAL RESPONSE TO THE AUDIT EXAMINATION RESULTS AND COMMENTS

Below is the Cass Township OFFICIAL RESPONSE to the AUDIT EXAMINATION RESULTS AND COMMENTS:

Timothy A. Guse, Cass Township Trustee

September 6, 2007

PRESCRIBED FORMS

1. Poor Relief Purchase Orders (Form PR-3) will be pre-numbers in the future. Dog tag collections (Form 18) are no longer used by the Township Trustee.
2. Poor Relief notice of action taken (Form PR-1A) will be completed and used in the future.

BANK ACCOUNT RECONCILIATIONS

1. Supplied information for support of deposit in transit. Reconciliation has been done monthly since the reconciliation of December 31, 2006. The Township was undergoing a conversion of new financial software in 2006 to increase the ability of its systems.

DISBURSEMENTS

1. to 6. In January of 2006, new financial software was put in place that has corrected all of the areas and concerns listed.

DOG TAGS

The Trustee has noted timing discrepancies and will record in the future in a timely manner.

COMPENSATION AND BENEFITS

In the future, time sheets will be kept for the township clerk and the bus drives.

FUND BALANCES

1. During the conversion to the new financial system, the correct balances were not manually carried over from the old system.
2. The new financial software has corrected all of the inadequacies of the previous system and also has the ability to print activity for zero balance funds.

RECEIPTS

1. to 5. In the future, receipts will be issued and posted with supporting documentation. The new financial software initiated in 2006 will correct previous control substantiation that were not prevalent with previous system.

FIREFIGHTING CONTRACT

The payment had been delayed because of the timing of the contract negotiations. The payment will be corrected in 2007 per the Firefighting Contractual obligation.

COMPUTER CONTROLLS

New Financial software was implemented in 2006 that has corrected this audit concern.

OVERDRAWN FUND BALANCE

In the future, we will do our best not to have overdrawn fund accounts. The error will be corrected with abilities of the new accounting software.

As can be noted through the above official responses that almost all results of the examination have been corrected with the new accounting system that has been put in place. We have diligently worked through this second conversion within the first term of office to provide a more accurate, controlled system for the Township and will continue to take great strides in improving the systems in the future.