

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF

DEWEY PRAIRIE CONSOLIDATED
SCHOOL CORPORATION
LAPORTE COUNTY, INDIANA

July 1, 2011 to February 22, 2012



FILED

03/14/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judith Roslansky	07-01-11 to 02-22-12
Superintendent of Schools	Norm Kleist	07-01-11 to 02-22-12
President of the School Board	Tim Guse	07-01-11 to 02-22-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE DEWEY PRAIRIE CONSOLIDATED
SCHOOL CORPORATION, LAPORTE COUNTY, INDIANA

We have examined the accompanying financial statement of the Dewey Prairie Consolidated School Corporation (School Corporation), for the period of July 1, 2011 to February 22, 2012. The financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement 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 School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to February 22, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the period of July 1, 2011 to February 22, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 16, 2014

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FINANCIAL STATEMENT

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

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DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS

For the Period July 1, 2011 to February 22, 2012

	Cash and Investments 07-01-11	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 02-22-12
General	\$ 926,757	\$ 27,089	\$ 382,335	\$ (571,511)	\$ -
Capital Projects	2,807	74,759	55,672	(21,894)	-
School Transportation	(159,364)	74,982	8,123	92,505	-
School Bus Replacement	182,580	22,329	12,995	(191,914)	-
Rainy Day	50,225	-	-	(50,225)	-
Construction	2,053,784	-	17,595	(2,036,189)	-
School Lunch	5,200	6,707	-	(11,907)	-
Textbook Rental	1,626	7,356	1,714	(7,268)	-
Remediation	2,644	-	-	(2,644)	-
Reorganization	4,625	-	4,625	-	-
Title I	(3,284)	-	-	3,284	-
Innovative Education Program Strategies Title V (Part A)	350	-	-	(350)	-
Drug Free Schools	253	-	-	(253)	-
Improving Teaching Quality, No Child Left, Title II, Part A	748	-	-	(748)	-
Rural Schools and Low Income Program - Pass Through State	(3,838)	-	-	3,838	-
Medical Reimbursement	5,261	1,729	6,990	-	-
Payroll Clearing	37,180	-	37,180	-	-
Totals	<u>\$ 3,107,554</u>	<u>\$ 214,951</u>	<u>\$ 527,229</u>	<u>\$ (2,795,276)</u>	<u>\$ -</u>

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

DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statement presents the financial information for the School Corporation.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, School Corporation activities, revenue from community services activities, and other revenue from local sources.

Intermediate sources which include distributions from the County for fees collected for or on behalf of the School Corporation including educational license plate fees, congressional interest, riverboat distributions, and other similar fees.

DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

State sources include distributions from the State of Indiana and are to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

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

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other Financing Sources and Uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. 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 School Corporation. 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

DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

funds are internally restricted by the School Corporation. 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 School Corporation 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 School Corporation 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 School Corporation 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.

State statutes authorize the School Corporation 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 School Corporation 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.

DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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 School Corporation 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.

Note 6. Pension Plans

A. 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority

DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
NOTES TO FINANCIAL STATEMENT
(Continued)

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 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

The School Corporation 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 School Corporation 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.

Note 7. Consolidation

On January 31, 2011, the Board of School Trustees of Cass Township Schools and the Board of School Trustees of the Dewey Prairie Consolidated School Corporation approved a Joint Resolution stating that the two separate schools shall be consolidated in one under the name Tri-Township Consolidated School Corporation. The Tri-Township Consolidated School Corporation came into existence on July 1, 2011, and serves students from Cass, Dewey, and Prairie Townships in LaPorte County. On February 22, 2012, any remaining funds of Dewey Prairie Consolidated School Corporation were transferred to the Tri-Township Consolidated School Corporation.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's Office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation 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 School Corporation. It is presented as intended by the School Corporation.

DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Period July 1, 2011 to February 22, 2012

	General	Capital Projects	School Transportation	School Bus Replacement	Rainy Day	Construction	School Lunch	Textbook Rental	Remediation
Cash and investments - beginning	\$ 926,757	\$ 2,807	\$ (159,364)	\$ 182,580	\$ 50,225	\$ 2,053,784	\$ 5,200	\$ 1,626	\$ 2,644
Receipts:									
Local sources	20,786	74,759	74,982	22,329	-	-	5,978	7,356	-
Intermediate sources	6,303	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	729	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>27,089</u>	<u>74,759</u>	<u>74,982</u>	<u>22,329</u>	<u>-</u>	<u>-</u>	<u>6,707</u>	<u>7,356</u>	<u>-</u>
Disbursements:									
Current:									
Instruction	250,761	213	-	-	-	-	-	-	-
Support services	131,539	42,317	8,123	12,995	-	-	-	1,714	-
Facilities acquisition and construction	-	13,142	-	-	-	17,595	-	-	-
Debt services	35	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>382,335</u>	<u>55,672</u>	<u>8,123</u>	<u>12,995</u>	<u>-</u>	<u>17,595</u>	<u>-</u>	<u>1,714</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(355,246)</u>	<u>19,087</u>	<u>66,859</u>	<u>9,334</u>	<u>-</u>	<u>(17,595)</u>	<u>6,707</u>	<u>5,642</u>	<u>-</u>
Other financing sources (uses):									
Transfers in	69,715	-	-	-	-	-	-	-	(2,644)
Transfers out	(641,226)	(21,894)	92,505	(191,914)	(50,225)	(2,036,189)	(11,907)	(7,268)	-
Total other financing sources (uses)	<u>(571,511)</u>	<u>(21,894)</u>	<u>92,505</u>	<u>(191,914)</u>	<u>(50,225)</u>	<u>(2,036,189)</u>	<u>(11,907)</u>	<u>(7,268)</u>	<u>(2,644)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(926,757)</u>	<u>(2,807)</u>	<u>159,364</u>	<u>(182,580)</u>	<u>(50,225)</u>	<u>(2,053,784)</u>	<u>(5,200)</u>	<u>(1,626)</u>	<u>(2,644)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Period July 1, 2011 to February 22, 2012
 (Continued)

	Reorganization	Title I	Innovative Education Program Strategies Title V (Part A)	Drug Free Schools	Improving Teaching Quality, No Child Left Title II, Part A	Rural Schools and Low Income Program - Pass Through State	Medical Reimbursement	Payroll Clearing	Totals
Cash and investments - beginning	\$ 4,625	\$ (3,284)	\$ 350	\$ 253	\$ 748	\$ (3,838)	\$ 5,261	\$ 37,180	\$ 3,107,554
Receipts:									
Local sources	-	-	-	-	-	-	-	-	206,190
Intermediate sources	-	-	-	-	-	-	-	-	6,303
State sources	-	-	-	-	-	-	-	-	729
Other	-	-	-	-	-	-	1,729	-	1,729
Total receipts	-	-	-	-	-	-	1,729	-	214,951
Disbursements:									
Current:									
Instruction	-	-	-	-	-	-	-	-	250,974
Support services	-	-	-	-	-	-	-	-	196,688
Facilities acquisition and construction	4,625	-	-	-	-	-	-	-	35,362
Debt services	-	-	-	-	-	-	-	-	35
Nonprogrammed charges	-	-	-	-	-	-	6,990	37,180	44,170
Total disbursements	4,625	-	-	-	-	-	6,990	37,180	527,229
Excess (deficiency) of receipts over disbursements	(4,625)	-	-	-	-	-	(5,261)	(37,180)	(312,278)
Other financing sources (uses):									
Transfers in	-	3,284	(350)	(253)	(748)	-	-	-	69,004
Transfers out	-	-	-	-	-	3,838	-	-	(2,864,280)
Total other financing sources (uses)	-	3,284	(350)	(253)	(748)	3,838	-	-	(2,795,276)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,625)	3,284	(350)	(253)	(748)	3,838	(5,261)	(37,180)	(3,107,554)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS

Our test of claims identified the following deficiencies with an error rate greater than 10 percent:

1. Of the claims tested 33 percent did not have adequate supporting documentation. This error resulted in \$6,164 of the \$74,130 expenditures tested which did not have adequate supporting documentation.
2. Of the claims tested, 100 percent did not have Board approval. This error resulted in \$74,130 expenditures which did not have proper Board approval.
3. Of the claims tested, 67 percent did not have proper approval by the fiscal officer. This error resulted in \$12,791 of the \$74,130 expenditures tested which did not have proper approval by the fiscal officer.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

OVERDRAWN CASH BALANCES

The Transportation Fund had an overdrawn cash balance of \$92,674 at the date of closing out all fund cash balances, February 22, 2012, and transferring balances to the new consolidation, Tri-Township Consolidated School Corporation. A similar comment appeared in the prior Report B40300.

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 Indiana Public School Corporations, Chapter 9)

DEWEY PRAIRIE CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 16, 2014, with Judy Roslansky, former Treasurer, and Dick E. Bucher, former Board member. The officials concurred with our findings.