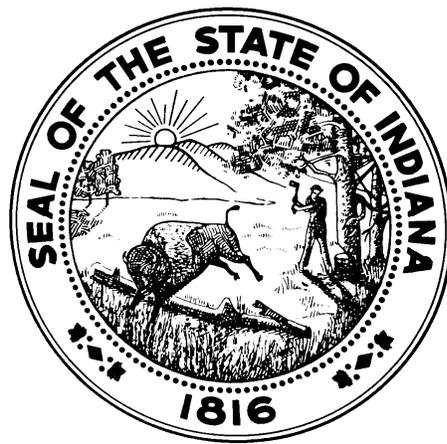


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
COTTON TOWNSHIP
SWITZERLAND COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
10/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Barbara Bowling	01-01-03 to 12-31-10
Chairman of the Township Board	Lowell McCreary	01-01-06 to 12-31-06
	Brenda Shaw	01-01-07 to 12-31-07
	Rita Works	01-01-08 to 12-31-08



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF COTTON TOWNSHIP, SWITZERLAND COUNTY, INDIANA

We have examined the financial information presented herein of Cotton Township (Township), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 27, 2008

COTTON TOWNSHIP, SWITZERLAND COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
Township	\$ 4,035	\$ 18,469	\$ 17,807	\$ 4,697
Dog	-	713	620	93
Township Assistance	3,026	2,706	5,623	109
Firefighting	6,328	13,537	12,443	7,422
Riverboat	51,081	40,151	61,025	30,207
Totals	<u>\$ 64,470</u>	<u>\$ 75,576</u>	<u>\$ 97,518</u>	<u>\$ 42,528</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 4,697	\$ 16,397	\$ 17,619	\$ 3,475
Dog	93	-	93	-
Township Assistance	109	2,689	1,403	1,395
Firefighting	7,422	12,910	12,468	7,864
Riverboat	30,207	38,637	28,370	40,474
Totals	<u>\$ 42,528</u>	<u>\$ 70,633</u>	<u>\$ 59,953</u>	<u>\$ 53,208</u>

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

COTTON TOWNSHIP, SWITZERLAND COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, and general administrative services.

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.

COTTON TOWNSHIP, SWITZERLAND COUNTY
EXAMINATION RESULTS AND COMMENTS

TOWNSHIP ASSISTANCE PROCEDURES

We found the following deficiencies regarding the processing of township assistance:

1. Applications for Township Assistance (Form TA-1) were not on file for 20% of the applications we examined.

Indiana Code 12-20-6-1(a) states: A township trustee may not extend aid to an individual or a household unless an application and affidavit setting forth the personal condition of the individual or household has been filed with the trustee within one hundred eighty (180) days before the date aid is extended.

Indiana Code 12-20-6-8(c) states in part: "An application for poor relief is not considered complete until all adult members of the requesting household have signed: (1) the poor relief application; and (2) any other form, instrument, or document: (A) required by law; or (B) determined necessary for investigative purposes by the trustee"

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)

2. There were no investigations documented on 100% of applications we examined.

Indiana Code 12-20-6-9 states in part: "If an application for poor relief is made to the township trustee . . . the township trustee . . . shall carefully investigate the circumstances of the applicant and each member of the applicant's household . . ."

3. Vendor invoices/receipts were not always attached to the Township Assistance Purchase Order to itemize what supplies or services were purchased. The following schedule shows the percentage of township assistance paid without invoices/receipts based on assistance payments we examined:

<u>Type of Assistance</u>	<u>Percentage of Township Assistance Paid Without Invoices/Receipts</u>
Utility Bills	41%
Groceries	21%
Total	<u>62%</u>

Whenever the administrator of township assistance of any township grants township assistance aid to any indigent person, or to any other person or agency on a township assistance order as provided by law or obligates the township for any item properly payable from township assistance funds, the claim against such township, itemized and sworn to as provided by

COTTON TOWNSHIP, SWITZERLAND COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

law, and accompanied by the original township assistance order, duly itemized and signed shall be checked with the records of the administrator of township assistance, audited, and certified to, as required by law by the trustee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 6)

4. No written township assistance standards were presented for examination.

Indiana Code 12-20-5.5-1 states in part:

"(a) The township trustee shall process all applications for the poor relief according to uniform written standards"

"(b) The township's standards for the issuance of township assistance and the processing of applications must be: . . (2) proposed by the township trustee, adopted by the township board, and filed with the board of county commissioners; . . "

PAYMENTS FOR CEMETERY CARE

The following payments were made for cemetery care without a contract:

<u>Payee</u>	<u>2006</u>	<u>2007</u>
Matt Bowling	\$ 9,530	\$ 5,860
Myrtle Butler	2,000	-
Laughery Valley Co-op	1,300	-
Matt Campbell	15,850	-
Jacob Chandler	-	900
	<hr/>	<hr/>
Totals	<u>\$ 28,680</u>	<u>\$ 6,760</u>

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)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned an optical image of only the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part: ". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

COTTON TOWNSHIP, SWITZERLAND COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

RIVERBOAT FUND DISBURSEMENTS NOT APPROPRIATED

Riverboat funds were disbursed in the following amounts without being appropriated by the Township Board:

<u>Years</u>	<u>Amount</u>
2006	\$ 61,025
2007	28,370

Indiana Code 36-6-4-7(a) states in part: "Each purchase for the township by the executive must be made on written order of the executive, certifying that sufficient funds have been appropriated to pay the full price of the purchase. . . ."

COTTON TOWNSHIP, SWITZERLAND COUNTY
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2008, with Barbara Bowling, Trustee. The official concurred with our findings.