

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

EXAMINATION REPORT

OF

COUNTY COUNCIL

SWITZERLAND COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
12/22/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Revenue Sharing With Not-For-Profit Entities	4
Donations.....	4-5
Loan to Regional Sewer District	5
Donation to Community Foundation	6
Exit Conference.....	7

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the County Council	Michael L. Jones	01-01-07 to 12-31-08
President of the Board of County Commissioners	H. Craig Bond Kenton C. Banta	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
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TO: THE OFFICIALS OF SWITZERLAND COUNTY

We have examined the records of the County Council for the period from January 1, 2007 to December 31, 2007, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Examination Results and Comments. The financial transactions of this office are reflected in the Examination Report of Switzerland County for the year 2007.

STATE BOARD OF ACCOUNTS

November 5, 2008

COUNTY COUNCIL
SWITZERLAND COUNTY
EXAMINATION RESULTS AND COMMENTS

REVENUE SHARING WITH NOT-FOR-PROFIT ENTITIES

The County Council authorized revenue sharing distributions from the Riverboat Fund to the following not-for-profit entities:

- (1) On February 10, 2001, the County Council amended an agreement for the distribution of Riverboat Funds so that 80% of the amount originally designated for townships would be donated to the Switzerland County Fire Chief's Corporation. The Switzerland County Fire Chief's Corporation is a not-for-profit corporation established to distribute County contributions of riverboat donations to the various volunteer fire companies in Switzerland County. During 2007, \$731,645 was paid to the Switzerland County Fire Chief's Corporation under this agreement.
- (2) Distributions of Riverboat Funds were also made to the Switzerland County Emergency Services and the Switzerland County YMCA in the amounts of \$380,759 and \$201,578, respectively.

Based on the following statutes, not-for-profit entities are not eligible to receive revenue sharing distributions from the Riverboat Fund:

Indiana Code 4-33-13-6(b) regarding wagering taxes states in part: "This chapter does not prohibit the . . . county designated as the home dock of the riverboat from entering into agreements with other units of local government . . . to share the . . . county's part of the tax revenue received under this chapter."

Indiana Code 36-1-2-23 states: "Unit means county, municipality, or township."

A similar comment was reported in prior Reports B26873, B29136, and B31456.

DONATIONS

The County Council authorized donations totaling \$446,573 from the Riverboat Fund to various not-for-profit entities during the year 2007 without a contract or agreement showing what services would be provided as follows:

Entity	Amount
Switzerland County Emergency Services	\$ 355,073
YMCA	47,500
Swiss Wine Festival	5,000
Lions Club	500
Family Connections	1,500
Switzerland County Salvation Army	5,000
Fraternal Order of Police	2,000
United Way Fund	30,000
Total	\$ 446,573

COUNTY COUNCIL
SWITZERLAND COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 Counties, Chapter 1)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

In addition to the Accounting and Uniform Compliance Guidelines cited, the Indiana Code provisions cited in the previous Examination Result and Comment pertaining to not-for-profits eligibility to receive revenue sharing distributions from the Riverboat Fund:

Based on the following statutes, not-for-profits are not eligible to receive revenue sharing distributions from the Riverboat Fund:

Indiana Code 4-33-13-6(b) regarding wagering taxes states in part: "This chapter does not prohibit the . . . county designated as the home dock of the riverboat from entering into agreements with other units of local government . . . to share the . . . county's part of the tax revenue received under this chapter."

Indiana Code 36-1-2-23 states: "Unit means county, municipality, or township."

A similar comment was reported in prior Reports B29136 and B31456.

LOAN TO REGIONAL SEWER DISTRICT

The County Council authorized a \$67,000 loan to the East Enterprise Regional Sewer District in 2005. The loan was made by the Council out of the Riverboat Fund and was to be used for the District's routine operating expenses. The East Enterprise Regional Sewer District has been in operation for several years but has not been able to generate enough revenue to remain financially independent.

The loan is being repaid at settlement time by transferring the sewer lien collections back to the Riverboat Fund. As of December 31, 2007, the outstanding loan balance is \$15,706.

Indiana Code 13-26-7-2 states:

"A local, state, or federal agency or person may advance or give a district money to be used by the district for the following purposes:

- (1) The preparation of a plan for the operation of the district.
- (2) Other purposes of the district until the district is in receipt of revenue from its operations or proceeds from the sale of bonds."

Governmental funds should not be donated or given to other organizations, individual, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Counties 1)

A similar comment was reported in prior Reports B29136 and B31456.

COUNTY COUNCIL
SWITZERLAND COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DONATION TO COMMUNITY FOUNDATION

Beginning in 2006, the County Council approved gaming tax revenue sharing as a method of donating funds to the Switzerland County Community Foundation (Community Foundation). At their meeting on December 7, 2005, the County Council approved two separate gaming tax revenue sharing distributions to the Switzerland County Community Foundation (Community Foundation). According to the County Auditor, the distributions were for the following purposes beginning in 2006:

- (1) One percent (1%) of gaming taxes is to be used for the operating expenses of the Community Foundation.
- (2) One-half percent (0.5%) of gaming taxes was to be held by the Community Foundation to be used for infrastructure programs in the unincorporated area known as Florence.

Distributions, in 2007, based on the above percentages totaled \$89,590 to the Community Foundation for operating expenses and \$44,795 to the Community Foundation for infrastructure programs in the unincorporated area known as Florence.

There was no documentation presented for examination showing the Community Foundation was required to hold the donation as a permanent endowment.

Indiana Code 36-1-14-1(c) states in part:

". . . the unit may donate . . . riverboat gaming revenue to a foundation under the following conditions:

The foundation agrees to do the following:

- (A) Hold the donation as a permanent endowment.
- (B) Distribute the income from the donation only to the unit as directed by resolution of the fiscal body of the unit. . . ."

A similar comment was reported in prior Reports B29136 and B31456.

COUNTY COUNCIL
SWITZERLAND COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2008, with Thomas S. Crabtree II, County Council member, and Kenton C. Banta, President of the Board of County Commissioners. The officials concurred with our findings.