

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

EXAMINATION REPORT
OF
OTTER CREEK TOWNSHIP
RIPLEY COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
01/20/2009

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OFFICIALS

Office

Official

Term

Trustee

Cynthia A. Melton

01-01-03 to 12-31-10

Chairman of the
Township Board

Ray E. Tucker
Matt McNew

01-01-04 to 12-31-06
01-01-07 to 12-31-08



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF OTTER CREEK TOWNSHIP, RIPLEY COUNTY, INDIANA

We have examined the financial information presented herein of Otter Creek 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

November 20, 2008

OTTER CREEK TOWNSHIP, RIPLEY COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND 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	\$ 2,812	\$ 16,770	\$ 18,525	\$ 1,057
Dog	303	337	37	603
Township Assistance	3,235	1,386	2,711	1,910
Firefighting	2,115	12,096	12,500	1,711
Rainy Day	47	-	-	47
Fiduciary Fund:				
Payroll Withholdings	641	2,205	2,204	642
Totals	<u>\$ 9,153</u>	<u>\$ 32,794</u>	<u>\$ 35,977</u>	<u>\$ 5,970</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Township	\$ 1,057	\$ 14,150	\$ 14,114	\$ 1,093
Dog	603	-	600	3
Township Assistance	1,910	6,192	3,199	4,903
Firefighting	1,711	7,079	8,400	390
Rainy Day	47	-	-	47
Fiduciary Fund:				
Payroll Withholdings	642	2,205	2,205	642
Totals	<u>\$ 5,970</u>	<u>\$ 29,626</u>	<u>\$ 28,518</u>	<u>\$ 7,078</u>

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

OTTER CREEK TOWNSHIP, RIPLEY 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.

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.

OTTER CREEK TOWNSHIP, RIPLEY COUNTY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following are examples of deficiencies relating to recordkeeping:

1. Record balances of cash were not reconciled to depository balances. We reconstructed a reconciliation at December 31, 2007, that showed a cash necessary to balance in the amount of \$95.89.

Indiana Code 5-13-6-1(e) states in part: "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)

2. Receipts and disbursements were not always totaled in Financial and Appropriation Record for the year 2006 and a tax distribution in the amount of \$3,785.87 was recorded on the Financial and Appropriation Record; however, this amount was not included in the receipt total.

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)

SALARY APPROVALS

The Township did not use Form 17 (Resolution Recommending Salaries of Township Officers and Employees) to document approval of salaries for Township Officers and Employees.

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)

A similar comment was reported in prior Report B29036.

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Township did not issue a Form 1099-MISC for office rent paid to the Trustee.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

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)

OTTER CREEK TOWNSHIP, RIPLEY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

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

Further, 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)."

FIREFIGHTING CONTRACTS

No contract for firefighting services provided by the Otter Creek Volunteer Fire Department for the year 2007 was presented for examination.

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)

TOWNSHIP ASSISTANCE PROCEDURES

The Trustee did not establish township assistance standards to determine eligibility.

Indiana Code 12-20-5.5-1(a) states in part: "The township trustee shall process all applications for township assistance according to uniform written standards. . . ."

OTTER CREEK TOWNSHIP, RIPLEY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2008, with Cynthia A. Melton, Trustee.