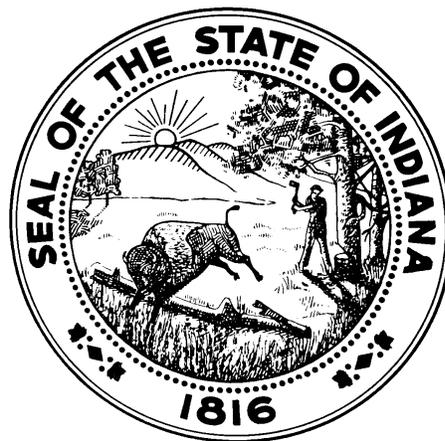


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT  
OF  
COUNTY AUDITOR  
HENRY COUNTY, INDIANA  
January 1, 2007 to December 31, 2007



**FILED**  
09/26/2008



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Linda S. Ratcliff	01-01-07 to 12-31-10
President of the County Council	Robert L. Veach	01-01-07 to 12-31-08
President of the Board of County Commissioners	Philip J. Estridge	01-01-07 to 12-31-08



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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF HENRY COUNTY, INDIANA

We have audited the records of the Auditor 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 Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Henry County for the year 2007.

STATE BOARD OF ACCOUNTS

July 15, 2008

COUNTY AUDITOR  
HENRY COUNTY  
AUDIT RESULTS AND COMMENTS

FOOD AND BEVERAGE TAX FUND

The following problems were noted with the accounting procedures of the Food and Beverage Tax Fund:

Internal Controls

The following prescribed forms were not in use for the transactions and balances of the Food and Beverage Tax Fund:

- 352, General Receipt
- 354, General Claim
- 356, General Check
- 358, Ledger of Receipts, Disbursements and Balances
- 359, Ledger of Appropriations, Encumbrances, etc.
- 360, Monthly Financial Depository Statement and Reconciliation

Because the County did not maintain these forms, the Food and Beverage Tax Fund was omitted from the County Annual Report prepared by the County. If all of the transactions of the Fund were made through the Auditor's recordkeeping system, then all of the necessary forms would be in use and this comment would not apply.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and record, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Condition of Records

We examined accounting records from two sources in order to obtain a complete accounting of the cash transactions and investment balances of the Food and Beverage Tax Fund. The Auditor's ledger presents only an agency fund accounting for the receipts of the monthly food and beverage tax collections from the State of Indiana and the transfer of these funds to First Merchants Bank (Trustee). The County did not have all the bank statements for 2007 and the Trustee did not prepare an annual report for 2007.

The Auditor must maintain a record of all transactions in the Food and Beverage Tax Fund as required by the following statute:

Indiana Code 6-9-25-8 states: "(a) If a tax is imposed under section 3 of this chapter, the county treasurer shall establish a food and beverage tax receipts fund. (b) The county treasurer shall deposit in this fund all amounts received under this chapter. (c) Any money earned from the investment of money in the fund becomes a part of the fund."

TEMPORARY LOAN

A temporary loan of \$300,000 was made in May 2007 from the Drainage Maintenance Fund to the Highway Fund and not repaid by the Highway Fund. The loan has been repaid by the Local Option

COUNTY AUDITOR  
HENRY COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Highway User Tax (LOHUT) Fund. The County had been instructed to appropriate funds from LOHUT and reimburse the Highway Fund for the payment to the Redevelopment Commission for Brooks Road in the Industrial Park. The Highway could then repay the loan from the Drainage Maintenance Fund.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the state board of tax commissioners."

#### PROPERTY TAX EXEMPTIONS

Of the eight exemptions tested, we noted a mortgage exemption of \$3,000 was allowed on a property for which the mortgage had been released on May 29, 2002. An age exemption was transferred with a property and not removed from the new owner.

Indiana Code 6-1.1-12-1 Sec. 1 (a) states: "Each year a person who is a resident of this state may receive a deduction for the assessed value of mortgaged real property, an installment loan financed mobile home that is not assessed as real property, or an installment loan financed manufactured home that is not assessed as real property that he owns."

Indiana Code 6-1.1-12-9 allows an age 65 deduction in an amount allowed 1/2 of the assessed value of the real property, mobile home or manufactured home; or \$12,480.

#### PERSONAL USE OF VEHICLES

Several nonemergency employees are allowed use of county owned vehicles for commuting purposes. The County did not include the value of the benefit on the W-2s for the employees.

According to Internal Revenue Publication 15-B employers must determine the value of a vehicle provided to an employee for commuting use by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50. If more than one employee commutes in the vehicle, this value applies to each employee. This amount must be included in the employee's wages or reimbursed by the employee.

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. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

AUDITOR  
HENRY COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 15, 2008, with Linda S. Ratcliff, Auditor. The official response has been made a part of this report and may be found on pages 7 and 8.



**LINDA S. RATCLIFF**  
AUDITOR OF HENRY COUNTY  
COURTHOUSE  
101 S. MAIN STREET  
NEW CASTLE, INDIANA 47362  
PHONE 765-529-2800  
E-MAIL lratcliff@henryco.net

OFFICIAL RESPONSE

July 30, 2008

I am responding to the Board of Accounts findings with respect to the Henry County Auditor comments.

Food and Beverage Tax Fund

When the Food and Beverage Tax was instituted in Henry County in 1987, the dollars collected were earmarked to retire the bond issue for the construction of the Basketball Hall of Fame in New Castle. In less than one-half the projected payoff period, the Hall of Fame debt was retired.

The Food and Beverage Tax was extended in 1994 and again in 2001. A bond ordinance was signed and according to the ordinance the Henry County Commissioners were given the authority to contract with a qualified financial institution to serve as Trustee, Registrar and Paying Agent for the Bonds. See excerpt from the ordinance below:

**Section the Bonds (U)**

The Commissioners are hereby authorized to contract with a qualified financial institution or institutions to serve as Trustee, Registrar and Paying Agent for the Bonds. The registrar is hereby charged with the responsibility of authenticating the bonds. The Commissioners are hereby authorized to enter into such agreements or understandings with the Trustee, Registrar and Paying Agents as would enable the institution or institutions to perform the services required of a trustee, registrar and paying agent. The County is further authorized to pay from Tax Revenues such fees as the Trustee, Registrar and Paying Agent may charge for the services provided as Trustee, Registrar and Paying Agent and such fees may be paid from the bond and Interest Account as Debt Service in addition to paying the principal of and interest on the bonds or from the General Account.

IC 6-9-25-8 states: "(a) If a tax is imposed under section 3 of this chapter, the county treasurer shall establish a food and beverage tax receipts fund. (b) the county

treasurer shall deposit in this fund all amounts received under this chapter. (c) Any money earned from the investment of money in the fund becomes a part of the fund.

It is my belief that the requirements of IC 6-9-25-8 are being met.

In regard to the Board of Accounts Audit position, while I do not disagree with the position taken by the Board of Accounts, as Henry County Auditor, I don't feel that I have any re-course without cooperation from the Henry County Commissioners and Henry County Council but to follow the terms of the established ordinance.

In 2006, and again in 2007 the Food and Beverage Tax issues were brought to the attention of the County Auditor, County Commissioners and the County Council. The County Attorney has taken the position and recommended to the County Commissioners that the Food and Beverage Tax Fund is being handled sufficiently and corrective action is not necessary.

#### Temporary Loan

The temporary loan issue has been noted and corrective action to prohibit repayment from the wrong fund will be monitored closely.

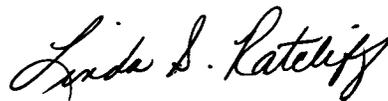
#### Property Tax Exemptions

Property Tax Exemptions are a continual source of concern for Henry County. Each year they are reviewed and checked and every attempt is made to allow the exemptions that should be allowed and remove the ones that should be removed. In these changing times of filing dates and deadlines and extensions it is not impossible to overlook or just simply miss an exemption change that should be made. Every attempt will be made to be diligent with this process.

#### Personal Use of Vehicles

The personal use of county vehicles is an issue that as County Auditor I have addressed with both the County Council and County Commissioners on more than one occasion. Attempts have been made to have the use of county vehicles allowed for commuting purposes that are not of an emergency nature included as part of the salary ordinance. I will continue my effort to see that this issue is corrected.

Sincerely,



Linda S. Ratcliff,  
Henry County Auditor