

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

AUDIT REPORT

OF

AUDITOR

HENRY COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED

11/21/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Result and Comment: Food and Beverage Tax Fund	4-5
Exit Conference	6
Official Response	7-8

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Linda S. Ratcliff	01-01-03 to 12-31-06
President of the County Council	Robert L. Veach	01-01-05 to 12-31-06
President of the Board of County Commissioners	Phillip J. Estridge Don L. Shaw Larry D. Hale	01-01-05 to 01-26-05 01-27-05 to 12-31-06 01-01-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

TO: THE OFFICIALS OF HENRY COUNTY

We have audited the records of the Auditor for the period from January 1, 2005 to December 31, 2005, 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 Result and Comment. The financial transactions of this office are reflected in the Annual Report of Henry County for the year 2005.

STATE BOARD OF ACCOUNTS

September 13, 2006

AUDITOR
HENRY COUNTY
AUDIT RESULT AND COMMENT

FOOD AND BEVERAGE TAX FUND

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

Condition Of Records

We examined accounting records from three separate sources in order to obtain a complete accounting of the cash transactions and cash and investment balances of the Food and Beverage Tax Fund. The County Auditor's ledger only presented the receipts of the monthly Food and Beverage Tax collections from the State of Indiana and the transfer of these tax funds to First Merchants Bank (Trustee). The Trustee's records were not sufficiently detailed to establish the amount of payment on the various contracts.

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

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."

Indiana Code 6-9-25-9.5(b) states in part: "Money in the fund established under section 8 of this chapter shall be used by the county for the financing, construction, renovation, improvement, equipping, or maintaining of the following capital improvements . . ."

Prescribed Forms

The following prescribed or approved forms were not always in use in the accounting for the transactions and balances of the Food and Beverage Fund:

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

AUDITOR
HENRY COUNTY
AUDIT RESULT AND COMMENT
(Continued)

If all transactions of the fund were made through the County Auditor's recordkeeping system, then all of the necessary forms would be automatically in use and this comment would not apply.

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 County Auditors of Indiana, Chapter 14)

Internal Controls - Contracts

Controls for payments of goods or services performed under the contracts for the 10 current projects should be monitored to ensure that payments are not made in excess of the contracts. At this time the Food and Beverage Fund Projects are only monitored by project total and payments are not accounted for by each specific contract.

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 County Auditors of Indiana, Chapter 14)

AUDITOR
HENRY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2006, with Linda S. Ratcliff, Auditor; Larry D. Hale, President of the Board of County Commissioners; Robert L. Veach, President of the County Council; and Philip J. Estridge, member of the Board of County Commissioners. 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

September 20, 2006

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, Indiana 46204-2765

Re: Food and Beverage Tax Fund

I am responding to the Board of Accounts findings with respect to the 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 Indiana Basketball Hall of Fame in New Castle. In less that one-half the projected payoff period, the Hall of Fame debt was retired.

In 1994, it was determined to seek continuation of the Food and Beverage Tax and use the proceeds to enhance community projects. With involvement from all taxing entities in Henry County additional projects were proposed and selected.

Again in 2001 a bond ordinance was signed extending the Food and Beverage Tax and the ordinance according to Section (The Bonds) article (U), authorized the Henry County Commissioners to contract with a qualified financial institution or institutions 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.

It is my belief as County Auditor that provisions of the ordinance are being followed as stipulated in the ordinance.

The County Treasurer has established the Food and Beverage Tax receipts fund. All amounts received are deposited into the fund and all interest earned remains in the fund.

After yearly audits of the Food and Beverage Tax Fund, without exception, to the practices of the County, I was not aware that there were issues with accounting practices. Every attempt will be made by me as Auditor, to address these concerns. I believe the information requested is now available and has been presented by the Commissioners to the Board of Accounts. Every attempt will be made to use prescribed or approved forms.

I believe that sufficient controls are in place to monitor the Food and Beverage Fund Projects through submission of prescribed claim forms to the Trustee and will work to ensure that proper forms are used in compiling data for future Board of Accounts audits.

Sincerely,



Linda S. Ratcliff,
Auditor of Henry County