

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

AUDIT REPORT

OF

COUNTY AUDITOR

ELKHART COUNTY, INDIANA

January 1, 2009 to December 31, 2009



**FILED**

08/18/2010



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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	David L. Hess	01-01-08 to 12-31-10
President of the County Council	John K. Letherman	01-01-09 to 12-31-10
President of the Board of County Commissioners	Terry Rodino	01-01-09 to 12-31-10



**STATE OF INDIANA**  
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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 ELKHART COUNTY

We have audited the records of the County Auditor for the period from January 1, 2009 to December 31, 2009, 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 Elkhart County for the year 2009.

STATE BOARD OF ACCOUNTS

July 19, 2010

AUDITOR  
ELKHART COUNTY  
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Distributable Property Tax Fund, and the Education Plate Fees Fund were overdrawn in 2009 due to over-settlement of state and local collections.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

ANNUAL REPORT

An annual report for Elkhart County was not completed until March 22, 2010.

IC 5-11-1-4(a) concerning annual reports, states in part: ". . . these reports shall be prepared, verified, and filed with the state examiner no later than sixty (60) days after the close of each fiscal year."

AUDITOR  
ELKHART COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2010, with David L. Hess, Auditor; Mike Yoder, Vice President of the Board of County Commissioners; and John K. Letherman, President of the County Council. The official response has been made a part of this report and may be found on pages 6 and 7.

# Elkhart County Auditor's Office

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DAVID L. HESS, AUDITOR

July 20, 2010

State Board of Accounts  
"OFFICIAL RESPONSE"  
302 West Washington St., Room E 418  
Indianapolis,, IN 46204-2765

Re: Elkhart County Exit Conference Official Response

To Whom It May Concern:

An exit conference was held on Monday July 19, 2010 for Elkhart County Government. At that conference, Martha Harper from State Board of Accounts discussed the annual audit. As Elkhart County Auditor, I am providing a written response to the audit findings.

## OVERDRAWN CASH BALANCES

The cash balance of the distributable property tax fund and the education plate fee fund were overdrawn in 2009, due to over-settlement of State and Local collections. This over-distribution was a result of the following:

1. Due to the delay in property tax billings and the issue of a provisional bill, the distributions and advances were made without DLGF certified property tax rates for 2009.
2. Without approved rates, certain assumptions had to be made so that distributions of tax money to other units of government could take place.
3. Both the provisional bill and the reconciled bill were issued in the PVD system (the tax and billing system) and the distribution was made in the AS400 system (the County's financial system). There is no integration between systems.
4. The final settlement for 2007 payable 2008 did not take place until March of 2009, which compounded the distribution problems for 2009.
5. The over-distribution from the education plate fee fund was a result of a distribution made using incorrect instructions issued by the State Auditor's office. Following the distribution, we received corrected distribution instructions from the State, but the money had already been deposited by the units.

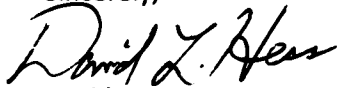
The compounding of all of these problems lead to an over-distribution of tax money in 2009. That over-distribution was corrected in the June 30<sup>th</sup> settlement in 2010.

ANNUAL REPORT

The annual report for Elkhart County was not completed until March 22, 2010.

1. The annual report was delayed due to the complexities of a hybrid cash and accrual accounting system. Several years ago the State switched to a cash basis audit. Our financial system is set up as an accrual system. In an accrual system budgets are encumbered at the end of the year and invoices from the previous year are paid in January and February of the following year. This delays the County's ability to close out the year and complete the annual report. For year 2010, we are going to switch to a true cash basis and all invoices, except for projects, will be paid in the year received. This should expedite the annual report in future years.

Sincerely,



David L. Hess  
Elkhart County Auditor

DLH/alh