

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

ANNUAL FINANCIAL REPORT

2003

HENDRICKS COUNTY, INDIANA



FILED
10/18/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Nancy L. Marsh	01-01-01 to 12-31-08
Treasurer	Amy Roberts	01-01-01 to 12-31-08
Clerk	Sharon Dugan Cindy Spence	01-01-01 to 12-31-04 01-01-05 to 12-31-08
Sheriff	James Quearry	01-01-03 to 12-31-06
Recorder	Theresa Lynch	01-01-99 to 12-31-06
President of the Board of County Commissioners	Linda Palmer – Ryser Ed Schrier David A. Wicker	01-01-03 to 12-31-04 01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the County Council	Wayne Johnson Jay Puckett Larry Hesson	01-01-03 to 12-31-03 01-01-04 to 12-31-04 01-01-05 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

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF HENDRICKS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hendricks County (County), as of and for the year ended December 31, 2003, which collectively comprise the County's primary government basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements referred to above do not include a number of component units of the County which should have been included to fairly present the financial position of the County.

In our opinion, except for the omission of the component units of the County referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the County as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

The County has not presented Management Discussion and Analysis, or Budgetary Comparison Schedules, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Schedules of Funding Progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the County taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

November 22, 2005



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF HENDRICKS COUNTY, INDIANA

We have audited the financial statements of Hendricks County (County), as of and for the year ended December 31, 2003, and have issued our report thereon dated November 22, 2005. The opinion to the basic financial statements was qualified due to the omission of several component units. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 22, 2005

HENDRICKS COUNTY
STATEMENT OF NET ASSETS
December 31, 2003

<u>Assets</u>	<u>Primary Government Governmental Activities</u>
Cash and cash equivalents	\$ 39,047,821
Investments	1,281,000
Receivables (net of allowances for uncollectibles):	
Interest	94,454
Taxes	5,433,004
Accounts	346,887
Special assessments	544,817
Intergovernmental	710,616
Loans	1,755,264
Inventories	137,000
Prepaid expense	636,948
Net pension obligation	315,159
Deferred debits	195,310
Capital assets:	
Land, improvements and construction in progress	7,756,601
Other capital assets, net of depreciation	<u>87,074,866</u>
 Total assets	 <u>145,329,747</u>
 <u>Liabilities</u>	
Accounts payable	1,199,353
Accrued payroll and withholdings payable	467,224
Compensated absences payable	85,920
Accrued interest payable	114,540
Noncurrent liabilities:	
Due within one year:	
Revenue bonds payable	514,467
Capital lease obligations	1,962,040
Notes and loans payable	34,866
Due in more than one year:	
Compensated absences	1,632,475
Revenue bonds payable (net of discounts or premiums)	6,600,251
Capital lease obligations	24,478,360
Notes and loans payable	<u>711,843</u>
 Total liabilities	 <u>37,801,339</u>
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	68,391,067
Restricted for:	
Highways and streets	7,545,634
Debt service	1,097,027
Other purposes	18,382,476
Unrestricted	<u>12,112,204</u>
 Total net assets	 <u>\$ 107,528,408</u>

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Primary Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 19,172,876	\$ 4,009,257	\$ 271,653	\$ 2,472,445	\$ (12,419,521)
Public safety	9,348,817	2,157,112	668,651	3,034	(6,520,020)
Highways and streets	6,570,516	-	4,139,096	1,260,069	(1,171,351)
Health and welfare	2,821,188	148,382	1,209,350	34,654	(1,428,802)
Economic development	1,206,290	-	222,963	2,884,695	1,901,368
Culture and recreation	617,081	-	-	113,650	(503,431)
Total primary government	39,736,768	6,314,751	6,511,713	6,768,547	(20,141,757)
General revenues:					
Property taxes					27,477,556
Intergovernmental					461,389
Miscellaneous					4,345,536
Rental					32,564
Other					1,362,027
Unrestricted investment earnings					824,986
Total general revenues					34,504,058
Change in net assets					14,362,301
Net assets - beginning					93,166,107
Net assets - ending					\$ 107,528,408

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2003

<u>Assets</u>	<u>General</u>	<u>Cumulative Capital Development</u>	<u>Economic Development Income Tax Project</u>	<u>Wheel Tax Project</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 3,439,757	\$ 3,076,593	\$ 9,975,681	\$ 3,817,072	\$ 17,804,784	\$ 38,113,887
Investments	-	-	-	-	1,281,000	1,281,000
Receivables (net of allowances for uncollectibles):						
Interest	74,771	-	-	-	19,683	94,454
Taxes	2,771,976	267,203	961,490	-	1,432,335	5,433,004
Accounts	148,036	-	-	-	198,851	346,887
Special assessments	-	-	-	-	544,817	544,817
Intergovernmental	-	-	69,497	-	641,119	710,616
Loans	-	-	-	-	1,755,264	1,755,264
Interfund receivable:						
Interfund loans	-	-	30,108	-	-	30,108
Inventories	-	-	-	-	137,000	137,000
Total assets	<u>\$ 6,434,540</u>	<u>\$ 3,343,796</u>	<u>\$ 11,036,776</u>	<u>\$ 3,817,072</u>	<u>\$ 23,814,853</u>	<u>\$ 48,447,037</u>
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 357,663	\$ 513,729	\$ 28,314	\$ 30,050	\$ 269,597	\$ 1,199,353
Accrued payroll and withholdings payable	363,932	-	-	-	103,292	467,224
Interfund payable:						
Interfund loans	-	-	-	-	30,108	30,108
Accrued interest payable	-	-	-	-	114,540	114,540
Deferred revenue	1,122,799	42,041	961,490	-	434,399	2,560,729
Notes and loan payable	-	-	-	-	746,709	746,709
Total liabilities	<u>1,844,394</u>	<u>555,770</u>	<u>989,804</u>	<u>30,050</u>	<u>1,698,645</u>	<u>5,118,663</u>
Fund balances:						
Reserved for:						
Encumbrances	396,467	1,210,714	4,229,012	-	1,911,626	7,747,819
Unreserved, reported in:						
General fund	4,193,679	-	-	-	-	4,193,679
Special revenue funds	-	-	-	-	13,985,334	13,985,334
Capital projects funds	-	1,577,312	5,817,960	3,787,022	3,552,057	14,734,351
Debt service funds	-	-	-	-	2,667,191	2,667,191
Total fund balances	<u>4,590,146</u>	<u>2,788,026</u>	<u>10,046,972</u>	<u>3,787,022</u>	<u>22,116,208</u>	<u>43,328,374</u>
Total liabilities and fund balances	<u>\$ 6,434,540</u>	<u>\$ 3,343,796</u>	<u>\$ 11,036,776</u>	<u>\$ 3,817,072</u>	<u>\$ 23,814,853</u>	
 Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						94,831,467
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.						3,392,987
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.						933,934
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.						(35,273,513)
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the funds.						315,159
Net assets of governmental activities						<u>\$ 107,528,408</u>

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2003

	General	Cumulative Capital Development	Economic Development Income Tax Project	Wheel Tax Project	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 15,335,558	\$ 1,316,633	\$ 1,981,448	\$ -	\$ 8,802,409	\$ 27,436,048
Licenses and permits	1,262,788	-	-	-	143,114	1,405,902
Intergovernmental	461,389	2,472,445	3,078,053	-	7,546,076	13,557,963
Charges for services	1,095,358	-	-	-	2,263,439	3,358,797
Fines and forfeits	535,584	-	-	-	1,014,468	1,550,052
Other	<u>2,158,517</u>	<u>3,326</u>	<u>7,818</u>	<u>-</u>	<u>1,208,955</u>	<u>3,378,616</u>
Total revenues	<u>20,849,194</u>	<u>3,792,404</u>	<u>5,067,319</u>	<u>-</u>	<u>20,978,461</u>	<u>50,687,378</u>
Expenditures:						
Current:						
General government	12,722,185	-	-	-	2,031,299	14,753,484
Public safety	7,026,334	-	-	-	2,334,388	9,360,722
Highways and streets	-	-	-	-	3,895,550	3,895,550
Economic development	683,753	-	-	-	2,073,728	2,757,481
Health and welfare	-	-	-	-	29,605	29,605
Culture and recreation	26,930	-	-	-	585,927	612,857
Debt service:						
Principal	-	-	-	-	2,623,403	2,623,403
Interest	-	-	-	-	1,684,523	1,684,523
Capital outlay	<u>-</u>	<u>4,068,775</u>	<u>3,551,947</u>	<u>172,940</u>	<u>2,707,702</u>	<u>10,501,364</u>
Total expenditures	<u>20,459,202</u>	<u>4,068,775</u>	<u>3,551,947</u>	<u>172,940</u>	<u>17,966,125</u>	<u>46,218,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>389,992</u>	<u>(276,371)</u>	<u>1,515,372</u>	<u>(172,940)</u>	<u>3,012,336</u>	<u>4,468,389</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	1,707,066	1,707,066
Transfers out	-	-	(1,365,392)	-	(341,674)	(1,707,066)
Bond issue proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,959,962</u>	<u>1,000,000</u>	<u>4,959,962</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(1,365,392)</u>	<u>3,959,962</u>	<u>2,365,392</u>	<u>4,959,962</u>
Net change in fund balances	389,992	(276,371)	149,980	3,787,022	5,377,728	9,428,351
Fund balances - beginning	<u>4,200,154</u>	<u>3,064,397</u>	<u>9,896,992</u>	<u>-</u>	<u>16,738,480</u>	<u>33,900,023</u>
Fund balances - ending	<u>\$ 4,590,146</u>	<u>\$ 2,788,026</u>	<u>\$ 10,046,972</u>	<u>\$ 3,787,022</u>	<u>\$ 22,116,208</u>	<u>\$ 43,328,374</u>

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2003

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (statement of revenues, expenditures and changes in fund balances).	\$ 9,428,351
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,285,429
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	41,508
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,123,236)
Net pension obligations are considered long-term obligations of the general government, but are not current expenditures.	(124,948)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(136,338)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>(8,465)</u>
Change in net assets of governmental activities (statement of activities)	<u>\$ 14,362,301</u>

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2003

<u>Assets</u>	<u>Internal Service Fund</u>
Current assets:	
Cash and cash equivalents	\$ <u>933,934</u>
<u>Net Assets</u>	
Unrestricted	\$ <u>933,934</u>

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For The Year Ended December 31, 2003

	Internal Service Fund
Operating revenues:	
Charges for services	\$ 3,088,175
Miscellaneous	276,850
Total operating revenues	3,365,025
Operating expenses:	
Insurance claims and expenses	3,378,648
Operating loss	(13,623)
Nonoperating revenues:	
Interest and investment revenue	5,158
Change in net assets	(8,465)
Total net assets - beginning	942,399
Total net assets - ending	\$ 933,934

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended December 31, 2003

	Internal Service Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,365,025
Other payments	(3,378,648)
Net cash used by operating activities	(13,623)
Cash flows from investing activities:	
Interest received	5,158
Net decrease in cash and cash equivalents	(8,465)
Cash and cash equivalents, January 1	942,399
Cash and cash equivalents, December 31	\$ 933,934

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2003

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 12,611	\$ 162	\$ 21,786,788
Receivables:			
Interest and dividends	-	-	184
Taxes	-	-	6,274,989
Total receivables	-	-	6,275,173
Investments at fair value:			
Certificates of deposit	-	24,000	10,000
Shares in closed-end mutual funds	4,899,568	-	-
Total investments	4,899,568	24,000	10,000
Total assets	<u>4,912,179</u>	<u>24,162</u>	<u>\$ 28,071,961</u>
 <u>Liabilities</u>			
Withholding payable	-	-	\$ 50,476
Trust payable	-	-	80,642
Accounts payable	-	-	27,940,843
Total liabilities	-	-	<u>\$ 28,071,961</u>
 <u>Net Assets</u>			
Held in trust for:			
Employees' pension benefits and other purposes	<u>4,912,179</u>	<u>24,162</u>	
Total net assets	<u>\$ 4,912,179</u>	<u>\$ 24,162</u>	

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For The Year Ended December 31, 2003

<u>Additions</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>
Contributions:		
Employer	\$ 329,768	\$ -
Investment income:		
Net increase in fair value of investments	62,492	-
Interest	<u>160,555</u>	<u>-</u>
Total investment income	223,047	-
Total additions	<u>552,815</u>	<u>-</u>
 <u>Deductions</u>		
Benefits	124,591	-
Administrative expense	<u>29,433</u>	<u>-</u>
Total deductions	<u>154,024</u>	<u>-</u>
Changes in net assets	398,791	-
Net assets - beginning	<u>4,615,826</u>	<u>24,162</u>
Net assets - ending	<u>\$ 5,014,617</u>	<u>\$ 24,162</u>

The notes to the financial statements are an integral part of this statement.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

Hendricks County (primary government) was established under the laws of the State of Indiana. The primary government operates under a Council-commissioner form of government and provides the following services: public safety (police), highways and streets, health, welfare and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the activities of the primary government. Blended component units, although legally separate entities, are in substance part of the government's operations and exist solely to provide services for the government; data from these units is combined with data of the primary government. Discretely presented component units are involved in activities of an operational nature independent from the government; their transactions are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Management has chosen to omit from these financial statements component units that have significant operational or financial relationships with the primary government. Accordingly, the financial statements do not include the data of all of the primary government's component units necessary for reporting in conformity with accounting principles generally accepted in the United States.

The financial statements of the individual component units may be obtained from their respective offices as follows:

Hendricks Regional Health
1000 East Main
Danville, IN 46122

Hendricks County Regional Sewer District
355 South Washington Street
Danville, IN 46122

Hendricks County Redevelopment Authority
355 South Washington Street
Danville, IN 46122

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

The primary government reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The cumulative capital development is a capital project fund. It accounts for the financial resources use for the purchase, repair, and construction of capital assets.

The wheel tax project fund is a capital project fund. It accounts for the financial resources use for construction and maintenance of road, streets, and bridge projects.

The economic development income tax project fund is a capital project fund. It accounts for the financial resources use for economic development services, economic development projects and economic development debt payments.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the primary government reports the following fund types:

The internal service fund accounts for self-insurance of health care and employee's flexible spending accounts provided to other departments on a cost-reimbursement basis.

The pension trust funds account for the activities of the sheriff's pension trust and the sheriff's benefit pension funds which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit school corporations.

Agency funds account for assets held by the primary government as an agent for federal, state, and other local governmental entities and payroll withholdings remittances.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The primary government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The primary government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the primary government 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.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables" (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require 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 that become delinquent if not paid by May 10 and November 10, respectively. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 100,000	Straight-line	15 to 50 yrs
Machinery, equipment, and vehicles	5,000	Straight-line	5 to 15 yrs
General Infrastructure	200,000	Straight-line	50 to 75 yrs
Computer software	50,000	Straight-line	5 yrs

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

6. Compensated Absences

- a. Sick Leave – primary government employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 45 days. Accumulated sick leave is paid to employees through cash payments upon proven permanent disability or retirement with a minimum of 10 years service. Payment of sick leave will be at various rates depending upon the years of completed service.
- b. Vacation Leave – primary government employees earn vacation leave at rates from 6 days to 24 days per year based upon the number of years of service. Vacation leave may be accumulated to the greater of 15 days or the number of days accrued for that calendar year. Accumulated vacation leave is paid to employees through cash payments upon separation with at least 2 weeks notification.
- c. Personal Leave – primary government employees may convert a maximum of 6 days of sick leave to 3 days personal leave. Between January 1 to January 15 of each year, any employee who has accumulated in excess of 45 sick leave days at the end of the prior year may convert a maximum of 6 sick leave days to 3 personal leave days. Personal leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

7 Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Reclassified Prior Year Data

The basis of accounting noted above is a different basis than that used in the prior year.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end.

On or before August 31, the County auditor submits to the County council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the County council to obtain taxpayer comments. In September of each year, the County council through the passage of an ordinance approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the County auditor receives approval of the Indiana Department of Local Government Finance.

The primary government's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the County council. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

Expenditures did not exceed appropriations for any funds or any departments within the General Fund, which required legally, approved budgets.

III. Detailed Notes on All Funds

A. 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.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The primary government's investments are categorized below to give an indication of the level of risk assumed by the primary government at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the primary government or its agent in the primary government's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the primary government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the primary government's name.

	Category			Reported	Fair
	1	2	3	Amount	Value
Investments not subject to categorization:					
Open-end mutual funds				<u>\$ 4,640,079</u>	<u>\$ 4,899,568</u>

B. Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,316,305	\$ 440,296	\$ -	\$ 7,756,601
Capital assets, being depreciated:				
Buildings	14,929,591	-	-	14,929,591
Improvements other than buildings	597,581	512,520	-	1,110,101
Machinery and equipment	6,508,191	1,116,030	-	7,624,221
Roads being depreciated	<u>89,209,342</u>	<u>8,165,642</u>	-	<u>97,374,984</u>
Totals	<u>111,244,705</u>	<u>9,794,192</u>	-	<u>121,038,897</u>
Less accumulated depreciation for:				
Buildings	3,817,930	294,250	-	4,112,180
Improvements other than buildings	152,076	20,532	-	172,608
Machinery and equipment	3,773,220	596,100	-	4,369,320
Roads being depreciated	<u>23,418,162</u>	<u>1,891,761</u>	-	<u>25,309,923</u>
Totals	<u>31,161,388</u>	<u>2,802,643</u>	-	<u>33,964,031</u>
Total capital assets, being depreciated, net	<u>80,083,317</u>	<u>6,991,549</u>	-	<u>87,074,866</u>
Total governmental activities capital assets, net	<u>\$ 87,399,622</u>	<u>\$ 7,431,845</u>	<u>\$ -</u>	<u>\$ 94,831,467</u>

HENDRICKS COUNTY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 304,292
Public safety	408,686
Public works, including depreciation of general infrastructure assets	2,067,840
Health and sanitation	17,601
Culture and recreation	<u>4,224</u>
 Total depreciation expense - governmental activities	 <u>\$ 2,802,643</u>

C. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2003, is as follows:

Due To	Nonmajor Governmental
Major Governmental	\$ <u>30,108</u>

Interfund balances resulted from the time lag between the dates that (1) Interfund loans are repaid, (2) Interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

2. Interfund Transfers

Interfund transfers at December 31, 2003, were as follows:

Transfer From	Nonmajor Governmental
Major Governmental	\$ 1,365,392
Nonmajor Governmental	<u>341,674</u>
Total	<u>\$ 1,707,066</u>

The primary government typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the general fund to the debt service fund for current-year debt service requirements.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Leases

The primary government has entered into various capital leases for a County Jail, Remodeling of County Governmental Center, Emergency Telephone Equipment and Redevelopment Projects. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2003, are as follows:

2004	\$	3,408,744
2005		3,060,603
2006		2,908,179
2007		2,868,000
2008		2,747,000
2009-2013		11,411,000
2014-2018		7,668,000
2019-2023		<u>5,199,000</u>
Total minimum lease payments		39,270,526
Less amount representing interest		<u>12,830,126</u>
Present value of net minimum lease payments		<u><u>\$ 26,440,400</u></u>

Assets acquired through capital leases still in effect are as follows:

		<u>Governmental Activities</u>
Buildings	\$	13,198,320
Machinery and equipment		<u>253,685</u>
Totals		13,452,005
Accumulated depreciation		<u>3,550,848</u>
Total	\$	<u><u>9,901,157</u></u>

D. Short-Term Liabilities

Tax Anticipation Notes

The primary government issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. These notes are necessary because the tax collection and tax distribution was late due to reassessment.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Short-term debt activity for the year ended December 31, 2003, was as follows:

	Beginning Balance	Issued/ Draws	Redeemed Repayments	Ending Balance
Tax anticipation notes	\$ <u> -</u>	\$ <u>1,609,222</u>	\$ <u>1,609,222</u>	\$ <u> -</u>

E. Long-Term Liabilities

1. Revenue Bonds

The primary government issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1998 EDIT refunding	3.6% to 4.2%	\$ 2,127,398
2003 Transportation	1.5% to 4.5%	<u>4,987,320</u>
 Total		 <u>\$ 7,114,718</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2004	\$ 514,033	\$ 180,279
2005	863,494	246,302
2006	898,494	213,939
2007	543,927	179,628
2008	184,361	167,367
2009-2013	1,046,803	745,477
2014-2018	1,331,803	531,222
2019-2023	<u>1,731,803</u>	<u>221,233</u>
 Totals	 <u>\$ 7,114,718</u>	 <u>\$ 2,485,447</u>

2. Notes and Loans Payable

The primary government has entered into various notes/loans. Annual debt service requirements to maturity for the notes/loans, including interest of \$205,996, are as follows:

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

2004	\$	56,878
2005		56,878
2006		56,878
2007		56,878
2008		56,878
2009-2013		284,390
2014-2018		284,389
2015-2019		<u>99,536</u>
 Total	 \$	 <u>952,705</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Revenue	\$ 2,776,531	\$ 4,987,320	\$ 649,133	\$ 7,114,718	\$ 514,033
Capital leases	28,648,224	-	2,207,824	26,440,400	1,962,040
Note and loans	771,212	3,719	28,222	746,709	34,866
Compensated absences	<u>1,499,217</u>	<u>219,178</u>	<u>-</u>	<u>1,718,395</u>	<u>-</u>
 Total governmental activities long-term liabilities	 <u>\$ 30,918,653</u>	 <u>\$ 222,897</u>	 <u>\$ 2,236,046</u>	 <u>\$ 28,905,504</u>	 <u>\$ 1,996,906</u>

Compensated absences for governmental activities typically have been liquidated from the general fund and special revenue funds.

IV. Other Information

A. Risk Management

The primary government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees, Retirees and Dependents

The primary government has chosen to establish a risk financing fund for risks associated with Medical Benefits to Employees, Retirees and Dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$1,000,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred. However, claim liabilities cannot be reasonable estimated.

Job Related Illnesses or Injuries to Employees (Highway)

During 1993, the primary government joined together with other governmental entities to form the Indiana Public Employers Plan, a public entity risk pool currently operating as a common risk management and insurance program for 527 member governmental entities. This risk pool was formed in 1993. The purpose of the risk pool is to provide a medium for the funding and administration of Job Related Illnesses or Injuries to Employees. The primary government pays an annual premium to the risk pool for its Job Related Illnesses or Injuries to Employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Holding Corporation

The primary government has entered into capital leases with the Hendricks County Building Corporation and the Hendricks County Courthouse Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the primary government.

The facilities under the lease are included in the capital assets of the primary government and the corresponding lease obligation has been included in the governmental activities column of the financial statements. Lease payments during the year totaled \$245,443 and \$785,000, respectively.

C. Administration of Welfare Programs

The primary government is required to provide certain funding for administrative costs of welfare programs, the Hospital Care for Indigent Program, Medical Assistance to Wards and Children with Special Health Care Needs through local property tax levies. The primary government remits those taxes to the State, which pays the cost.

D. Brownfield Redevelopment Loan Receivable

The Brownfield Loan and the Forgivable Brownfield Loan from the Indiana Development Finance Authority was loaned by the County to the developer of the Brownfield project on the same terms as the County received from the Indiana Development Finance Authority. The Forgivable Brownfield Loan can be forgiven by the Indiana Development Finance Authority if the project attains its economic

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

development goals by September 12, 2003. The Forgivable Brownfield Loan was made in the amount of \$153,400 with interest of \$14,390 being added to the loan before repayment would start in December 12, 2003, if not forgiven by the Indiana Development Finance Authority.

E. Postemployment Benefits

In addition to the pension benefits described below, the primary government provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the primary government on or after attaining age 55 with at least 15 years of service. Currently, 20 retirees meet these eligibility requirements. The primary government and retirees provides 67% and 33%, respectively, of these postemployment benefits. Expenditures for those postemployment benefits are recognized on a pay-as-you-go basis. Expenditures for postemployment benefits cannot be reasonably estimated.

F. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

b. County Police Retirement Plan

Plan Description

The primary government contributes to the County Police Retirement Plan which is a single-employer defined benefit pension plan. With the approval of the primary government's fiscal body, the plan is administered by the sheriff's department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides retirement, death, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting the county sheriff.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the County Police Retirement Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

c. County Police Benefit Plan

Plan Description

The primary government contributes to the County Police Benefit Plan which is a single-employer defined benefit pension plan. With the approval of the primary government's fiscal body, the plan is administered by the sheriff's department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides dependent pensions, life insurance, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting the county sheriff.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the County Police Benefit Plan are established by state statute. The primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>County Police Retirement Plan</u>	<u>County Police Benefit Plan</u>
Annual required contribution	\$ 463,381	\$ 404,655	\$ 19,470
Interest on net pension obligation	(32,402)	477	-
Adjustment to annual required contribution	<u>36,925</u>	<u>(972)</u>	<u>-</u>
Annual pension cost	467,904	404,160	19,470
Contributions made	<u>436,818</u>	<u>310,298</u>	<u>19,470</u>
Increase (decrease) in net pension obligation	31,086	93,862	-
Net pension obligation, beginning of year	<u>(446,927)</u>	<u>6,820</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ (415,841)</u>	<u>\$ 100,682</u>	<u>\$ -</u>
Contribution rates:			
County	4.75%	24%	1%
Plan Members	3%	6%	6%
Actuarial valuation date	07-01-03	01-01-04	01-01-04
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-01-97	12-31-97	12-31-97
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market
<u>Actuarial Assumptions</u>			
Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	2%	0%

HENDRICKS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-01	\$ 254,181	133%	\$ (349,520)
	06-30-02	327,300	131%	(446,927)
	06-30-03	467,904	93%	(415,841)
County Police Retirement Plan	12-31-01	204,674	93%	(66,856)
	12-31-02	288,365	76%	6,820
	12-31-03	404,655	77%	100,382
County Police Benefit Plan	12-31-01	10,495	100%	-
	12-31-02	11,406	100%	-
	12-31-03	19,470	100%	-

HENDRICKS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (Unfunded) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-01	\$ 7,361,300	\$ 6,206,412	\$ 1,154,888	119%	\$ 7,615,459	15%
07-01-02	7,304,500	7,801,862	(497,362)	94%	8,324,862	(6%)
07-01-03	7,433,226	7,157,931	275,295	104%	9,402,843	3%

County Police Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 4,112,461	\$ 4,112,461	-	100%	\$ 1,227,969	0%
01-01-00	4,776,391	4,776,391	-	100%	1,457,128	0%
01-01-01	4,957,436	4,957,436	-	100%	1,497,960	0%
01-01-02	5,040,858	5,040,858	-	100%	1,609,561	0%
01-01-03	4,971,155	4,971,155	-	100%	1,638,178	0%
01-01-04	5,095,722	5,095,722	-	100%	1,691,005	0%

HENDRICKS COUNTY
OTHER REPORT

The report presented herein was prepared in addition to the official report prepared for the individual office listed below:

Clerk of the Circuit Court

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF HENDRICKS COUNTY, INDIANA

Compliance

We have audited the compliance of Hendricks County (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 22, 2005

HENDRICKS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2003

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Department of Commerce			
Community Development Block Grants/State's Program	14.228		
Carterburg IDOC		PL-02-022	\$ 29,605
Belleville Conservancy		PL-99-041	<u>18,340</u>
Total for federal grantor agency			<u>47,945</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Pass-Through Indiana Department of Natural Resources			
Outdoor Recreation - Acquisition, Development and Planning	15.916		
Land and Water Conservation Fund		18-00521	<u>92,756</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute			
Juvenile Accountability Incentive Block Grants	16.523		
Juvenile Accountability		00JB028	35
Juvenile Accountability		01JB029	<u>19,999</u>
Total for program			<u>20,034</u>
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540		
Juvenile Sexual Offender		02JF004	<u>10,000</u>
Crime Victim Assistance	16.575		
Victims Assistance		02VA055	22,622
Victims Assistance		03VA055	22,892
Breaking Free		02VA054	34,840
Ivan Referral Grant		02VA101	12,809
Ivan Referral Grant		03VA100	5,415
Services for Victims of DV		00VA168	<u>30,357</u>
Total for program			<u>128,935</u>
Byrne Formula Grant Program	16.579		
Drug Task Force		01DB022	29,487
Drug Task Force		02DB017	82,330
Project DARE		97DB083	<u>2,145</u>
Total for program			<u>113,962</u>
Violence Against Women Formula Grants	16.588		
Stop Violence Against Women		02ST029	11,760
Stop Violence Against Women		03ST030	11,062
Interact		02ST028	8,055
Interact		00ST033	718
Interact		98ST071	822
Hispanic Outreach		02ST030	28,485
Family Violence		02ST031	64,307
Family Violence		03ST029	<u>46,359</u>
Total for program			<u>171,568</u>
Total for federal grantor agency			<u>444,499</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

HENDRICKS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2003
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		
Operation Pull Over		OP 02-02-03-72	17,635
Operation Pull Over		OP 04-02-03-58	7,564
DUI Task Force Indiana		154AL-02-03-03-08	<u>20,048</u>
Total for program			<u>45,247</u>
Safety Incentive Grants for Use of Seatbelts	20.604		
Big City/County Seat Belt Enforcement		BC-02-02-03-49	<u>9,007</u>
Total for cluster			<u>54,254</u>
Pass-Through Indiana Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509		
LINK 2003		18020430	<u>100,079</u>
Total for federal grantor agency			<u>154,333</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Family and Social Services Administration			
Child Support Enforcement	93.563		
County Prosecutor's Expenditure		None	103,634
Circuit Court Clerk 's Expenditure		None	22,816
Earned Indirect Cost		None	<u>30,134</u>
Total for federal grantor agency			<u>156,584</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Commission on Community Service			
Citizen Corps	97.053		
Citizen's Corp Council		CC-2-808	<u>910</u>
Total federal awards expended			<u>\$ 897,027</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

HENDRICKS COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hendricks County (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the primary government provided federal awards to subrecipients as follows for the year ended December 31, 2003:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/State's Program	14.228	\$ 47,945
Crime Victim Assistance	16.575	53,064
Formula Grants for Other Than Urbanized Areas	20.509	100,079

HENDRICKS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
16.579	Byrne Formula Grant Program
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

HENDRICKS COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

HENDRICKS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on January 30, 2006, with David A. Wicker, President of the Board of County Commissioners; and Nancy L. Marsh, Auditor.