

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

ANNUAL FINANCIAL REPORT

2005

HANCOCK COUNTY, INDIANA



**FILED**

08/09/2006



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Vicki Saunders	01-01-04 to 12-31-07
Treasurer	Janice Silvey	01-01-05 to 12-31-08
Clerk of the Circuit Court	Linda J. Grass	01-01-03 to 12-31-06
Sheriff	Nicholas R. Gulling	01-01-03 to 12-31-06
Recorder	Carolyn J. Grass	01-01-03 to 12-31-06
President of the Board of County Commissioners	Armin B. Apple Brian Kleiman	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the County Council	Thomas Roney	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

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

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

TO: THE OFFICIALS OF HANCOCK COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hancock County (County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

As discussed in Note I, the County prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

In our opinion, except that the omission of the component unit of the County referred to in the preceding paragraph results in incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 3, 2006, 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.

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

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.

The Schedules of Funding Progress, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

The County has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 3, 2006



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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 HANCOCK COUNTY, INDIANA

We have audited the financial statements of Hancock County (County), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 3, 2006. The opinion to the financial statements was qualified due to the omission of a component unit resulting in incomplete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2005-1 and 2005-2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe none of the reportable conditions described above is a material weakness.

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  
(Continued)

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the County on July 3, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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

July 3, 2006

HANCOCK COUNTY  
STATEMENT OF CASH ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

Functions/Programs	<u>Disbursements</u>	Program Receipts			<u>Total</u>	Net (Disbursement) Receipt and Changes in Net Assets
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Primary Government</u>	
Primary government:						
Governmental activities:						
General government	\$ 13,181,613	\$ 2,074,834	\$ 96,510	\$ -	\$ (11,010,269)	
Public safety	8,731,088	2,502,552	620,976	34,483	(5,573,077)	
Highways and streets	6,199,600	182,962	3,390,479	-	(2,626,159)	
Sanitation	7,905	-	9,600	-	1,695	
Health and welfare	2,188,707	99,555	294,911	-	(1,794,241)	
Interest on long-term debt	399,717	-	-	-	(399,717)	
<b>Total primary government</b>	<b><u>\$ 30,708,630</u></b>	<b><u>\$ 4,859,903</u></b>	<b><u>\$ 4,412,476</u></b>	<b><u>\$ 34,483</u></b>	<b><u>(21,401,768)</u></b>	
General receipts:						
Property taxes					17,143,481	
Auto and aircraft excise taxes					2,871,453	
Other taxes					713,682	
Riverboat revenue sharing					195,327	
Bonds and loans					5,335,979	
Grants and contributions not restricted to specific programs					58,068	
Unrestricted investment earnings					1,091,709	
Refunds and reimbursements					757,800	
Special items:						
Sale of property					166,270	
<b>Total general receipts and special items</b>					<b><u>28,333,769</u></b>	
Change in net assets					6,932,001	
Net assets - beginning					<u>14,661,788</u>	
Net assets - ending					<b><u>\$ 21,593,789</u></b>	
<b>Assets</b>						
Cash and investments					\$ 3,419,565	
Restricted assets:						
Cash and investments					<u>18,174,224</u>	
<b>Total assets</b>					<b><u>\$ 21,593,789</u></b>	
<b>Net Assets</b>						
Restricted for:						
Public safety					\$ 1,288,426	
Highways and streets					1,770,336	
Sanitation					5,344	
Health and welfare					2,251,367	
Debt service					725,970	
Capital projects					7,301,642	
Other purposes					4,831,139	
Unrestricted					<u>3,419,565</u>	
<b>Total net assets</b>					<b><u>\$ 21,593,789</u></b>	

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

HANCOCK COUNTY  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	County Highway	Drainage Maintenance	Courthouse Renovation	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 12,141,512	\$ 158,419	\$ 773,076	\$ -	\$ 5,001,969	\$ 18,074,976
Licenses and permits	-	43,550	-	-	-	43,550
Intergovernmental	1,558,071	3,448,298	-	-	2,877,009	7,883,378
Charges for services	1,503,835	52,978	91,688	-	2,324,571	3,973,072
Fines and forfeits	246,417	3,300	-	-	15,802	265,519
Other	1,347,112	181,949	33,106	103,800	398,190	2,064,157
<b>Total receipts</b>	<b>16,796,947</b>	<b>3,888,494</b>	<b>897,870</b>	<b>103,800</b>	<b>10,617,541</b>	<b>32,304,652</b>
<b>Disbursements:</b>						
General government	8,651,362	-	424,422	-	814,733	9,890,517
Public safety	5,662,425	-	-	-	1,872,745	7,535,170
Highways and streets	-	3,964,004	-	-	1,125,083	5,089,087
Sanitation	-	-	-	-	7,905	7,905
Health and welfare	-	-	-	-	2,082,151	2,082,151
Debt service:						
Principal	-	-	-	-	1,175,000	1,175,000
Interest	-	-	-	-	399,717	399,717
Capital outlay:						
General government	478,141	-	-	885,357	1,686,018	3,049,516
Public safety	-	-	-	-	197,038	197,038
Highways and streets	-	392,256	-	-	718,256	1,110,512
Health and welfare	-	-	-	-	110,435	110,435
<b>Total disbursements</b>	<b>14,791,928</b>	<b>4,356,260</b>	<b>424,422</b>	<b>885,357</b>	<b>10,189,081</b>	<b>30,647,048</b>
Excess (deficiency) of revenue over (under) disbursements	2,005,019	(467,766)	473,448	(781,557)	428,460	1,657,604
<b>Other financing sources (uses)</b>						
Bond proceeds	-	-	-	5,335,979	-	5,335,979
Transfers in	361,015	-	-	-	1,169,084	1,530,099
Transfers out	(94,058)	-	(171,409)	-	(1,264,632)	(1,530,099)
<b>Total other financing sources (uses)</b>	<b>266,957</b>	<b>-</b>	<b>(171,409)</b>	<b>5,335,979</b>	<b>(95,548)</b>	<b>5,335,979</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,271,976	(467,766)	302,039	4,554,422	332,912	6,993,583
Cash and investment fund balance - beginning	281,240	1,615,802	1,911,192	-	10,707,863	14,516,097
Cash and investment fund balance - ending	\$ 2,553,216	\$ 1,148,036	\$ 2,213,231	\$ 4,554,422	\$ 11,040,775	21,509,680
Amounts reported for governmental activities in the Statement of Net Assets are different because:						
Internal services 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.						84,109
Net assets of governmental activities						\$ 21,593,789
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 2,553,216	\$ -	\$ -	\$ -	\$ 866,349	\$ 3,419,565
Restricted assets:						
Cash and investments	-	1,148,036	2,213,231	4,554,422	10,174,426	18,090,115
<b>Total cash and investment assets - December 31</b>	<b>\$ 2,553,216</b>	<b>\$ 1,148,036</b>	<b>\$ 2,213,231</b>	<b>\$ 4,554,422</b>	<b>\$ 11,040,775</b>	<b>\$ 21,509,680</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 1,288,427	\$ 1,288,427
Highways and streets	-	1,148,036	-	-	622,300	1,770,336
Sanitation	-	-	-	-	5,344	5,344
Health and welfare	-	-	-	-	2,251,367	2,251,367
Debt service	-	-	-	-	725,970	725,970
Capital projects	-	-	-	4,554,422	2,747,220	7,301,642
Other purposes	-	-	2,213,231	-	2,533,798	4,747,029
Unrestricted	2,553,216	-	-	-	866,349	3,419,565
<b>Total cash basis fund balance - December 31</b>	<b>\$ 2,553,216</b>	<b>\$ 1,148,036</b>	<b>\$ 2,213,231</b>	<b>\$ 4,554,422</b>	<b>\$ 11,040,775</b>	<b>\$ 21,509,680</b>

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

HANCOCK COUNTY  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUND  
As of and for the Year Ended December 31, 2005

	Internal Service Fund
Operating receipts:	
Insurance proceeds	\$ 1,350,000
Operating disbursements:	
Insurance disbursements	1,411,580
Deficiency of receipts under disbursements	(61,580)
Cash and investment fund balance - beginning	145,689
Cash and investment fund balance - ending	\$ 84,109
<u>Cash and Investment Assets - December 31</u>	
Restricted assets:	
Cash and investments	\$ 84,109
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Other purposes	\$ 84,109

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

HANCOCK COUNTY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 309,979	\$ -	\$ -
Plan members	<u>34,000</u>	<u>-</u>	<u>-</u>
Total contributions	<u>343,979</u>	<u>-</u>	<u>-</u>
Investment earnings:			
Net increase in fair value of investments	248,751	-	-
Interest	<u>113,563</u>	<u>-</u>	<u>-</u>
Total investment earnings	362,314	-	-
Less investment disbursements	<u>(59,663)</u>	<u>-</u>	<u>-</u>
Net investment earnings	<u>302,651</u>	<u>-</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>156,008,254</u>
Total additions	<u>646,630</u>	<u>-</u>	<u>156,008,254</u>
Deductions:			
Benefits	54,670	-	-
Administrative and general	41,226	-	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>169,783,769</u>
Total deductions	<u>95,896</u>	<u>-</u>	<u>169,783,769</u>
Excess (deficiency) of total additions over (under) total deductions	550,734	-	(13,775,515)
Cash and investment fund balance - beginning	<u>4,117,830</u>	<u>10,741</u>	<u>20,516,038</u>
Cash and investment fund balance - ending	<u>\$ 4,668,564</u>	<u>\$ 10,741</u>	<u>\$ 6,740,523</u>

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

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

The County's financial reporting entity is composed of the following:

Primary Government:	Hancock County
Discretely Presented Component Unit:	Hancock Regional Hospital

In determining the financial reporting entity, the County complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The Hancock Regional Hospital, a discretely presented component unit, has been omitted from these financial statements. Accordingly, the financial statements do not include the data of all of the County's component units necessary to fairly present the financial position of the County.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. 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. However, at this time, the County has not established any enterprise funds.

The County 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 county highway fund accounts for the financial resources and expenses related to the maintenance, repair, construction and reconstruction of county roads within the County.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The drainage maintenance fund accounts for the financial resources and expenses related to repairing and maintaining drains located in the County.

The courthouse renovation fund accounts for the funds acquired from the issuance of bonds to be used for the reconstruction and renovation of the courthouse.

Additionally, the County reports the following fund types:

The internal service fund accounts for health insurance and limited liability insurance costs and is provided to various other departments based on a premium charged.

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 other governments.

Agency funds account for assets held by the County as an agent for individuals, private organizations, and other governments, and serve as control of accounts for certain cash transactions during the time they are a liability to the County.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The County does not have any enterprise funds.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments (2) law through constitutional provisions or enabling legislations.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the County's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts 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 receipts rather than as program receipts. Likewise, general receipts include all taxes.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Operating Receipts and Disbursements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The County does not have any enterprise funds.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

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 of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the County submits to the governing board 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 governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/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 fiscal officer of the County receives approval of the Indiana Department of Local Government Finance.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The County's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. 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.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2005, bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the County had the following investments:

Investment Type	Pension Plan	Investment Maturities (in Years)		
	Market Value	Less Than 1	1-2	More Than 2
U.S. Treasuries and Securities	\$ 552,039	\$ -	\$ 183,354	\$ 368,685
Government Sponsored Enterprise	393,376	-	-	393,376
Common Stock	2,693,675	2,693,675	-	-
Corporate Bonds	431,016	-	-	431,016
Fixed Rate Capital Securities	52,338	11,177	23,900	17,261
Mutual Funds	352,434	352,434	-	-
Totals	<u>\$ 4,474,878</u>	<u>\$ 3,057,286</u>	<u>\$ 207,254</u>	<u>\$ 1,210,338</u>

Investment Policies

Indiana Code 5-13-9 authorizes the County to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the County and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of or interest in an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the County may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Standard and Poor's Rating	Moody's Rating	Sheriff Pension Plan's Investments			
		Government Sponsored Enterprise	Corporate Bonds	Fixed Rate Capital Securities	Mutual Funds
AAA	Aaa	\$ 393,376	\$ 18,775	\$ -	\$ -
AA	Aa	-	61,578	2,551	-
A	A	-	173,573	17,513	-
BBB	Baa	-	151,627	32,274	-
BB	Ba	-	14,394	-	-
Unrated	Unrated	-	11,069	-	352,434
Totals		<u>\$ 393,376</u>	<u>\$ 431,016</u>	<u>\$ 52,338</u>	<u>\$ 352,434</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, were as follows:

Transfer From	Transfer To	2005
General	Other governmental	\$ 94,058
Drainage Maintenance	Other governmental	171,409
Other governmental	General	361,015
Other governmental	Other governmental	903,617
Totals		<u>\$ 1,530,099</u>

The County 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.

IV. Other Information

A. Risk Management

The County 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.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

Medical Benefits to Employees, Retirees, and Dependents (Excluding Postemployment Benefits)

The County has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk financing fund is accounted for in the Health Claims 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 \$50,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

Job Related Illnesses or Injuries to Employees

During 1992, the County joined with other governmental entities to form the Indiana Public Employee Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illness and injury benefits to employees. The County pays an annual premium to the risk pool for its job related illness and injury 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.

B. Postemployment Benefits

In addition to the pension benefits described below, the County provides postemployment health insurance benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the County on or after attaining age 55. Employees who are age 55, have at least 10 years of service, and have been a member of the County's health insurance program for the last 4 years when they retire, are responsible for 50% of the annual premium and the County is responsible for 50% (Plan A). Employees who have not been a member of the County's health insurance program in the 4 years preceding retirement, but are age 55 and have at least 20 years of service may elect health insurance coverage and are responsible for 100% of the annual premium (Plan B). Currently, 5 retirees meet the eligibility requirements for Plan A. There are no current retirees who meet the requirements for Plan B. Disbursements for these postemployment benefits are recognized on a pay-as-you-go basis. Disbursements for postemployment benefits cannot be reasonably estimated.

C. Administration of Welfare Programs

The County 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 County remits those taxes to the State, which pays the cost.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Hospital Debt Obligation

The County and Hancock Regional Hospital (Hospital) entered into a capital lease with the Hancock County Hospital Association (lessor) on April 14, 2004, amended June 22, 2004, for the acquisition, construction, and equipping of certain improvements to the existing County hospital facilities and a new addition thereto. The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the government. Lease rental payments are payable solely from the net revenues of the Hospital and, to the extent the Hospital revenues are insufficient, ad valorem property taxes levied and collected by the County on all taxable property within the geographical boundaries of the County. Lease rental payments are due semiannually June 30, 2006 through December 31, 2030 and total \$62,441,000. This debt is an obligation of the Hospital, and is not a direct liability of the County itself. Accordingly, no liability is presented by the County.

E. Pension Plans

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

1. Public Employees' Retirement Fund

Plan Description

The County 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 County 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 County's annual pension cost and related information, as provided by the actuary, is presented in this note.

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. County Police Retirement Plan

Plan Description

The County contributes to the County Police Retirement Plan, which is a single-employer defined benefit pension plan. With the approval of the County'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 County's annual pension cost and related information, as provided by the actuary, is presented in this note.

3. County Police Benefit Plan

Plan Description

The County contributes to the County Police Benefit Plan which is a single-employer defined benefit pension plan. With the approval of the County'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 County's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>County Police Retirement Plan</u>	<u>County Police Benefit Plan</u>
Annual required contribution	\$ 261,275	\$ 284,538	\$ 25,441
Interest on net pension obligation	(11,965)	1,336	-
Adjustment to annual required contribution	<u>13,635</u>	<u>(2,064)</u>	<u>-</u>
Annual pension cost	262,945	283,810	25,441
Contributions made	<u>278,531</u>	<u>284,538</u>	<u>25,441</u>
Decrease in net pension obligation	(15,586)	(728)	-
Net pension obligation, beginning of year	<u>(165,034)</u>	<u>19,091</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ (180,620)</u>	<u>\$ 18,363</u>	<u>\$ -</u>

HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF	County Police Retirement Plan	County Police Benefit Plan
Contribution rates:			
County	4.25%	19%	2%
Plan members	3%	6%	None
Actuarial valuation date	07-01-05	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Aggregate
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	*
Amortization period	40 years	40 years	*
Amortization period (from date)	07-01-97	12-31-97	*
Asset valuation method	4 year smoothed market	Market value	Market value

\*The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial present value of projected benefits of the group in excess of the actuarial value of assets is allocated on a level basis over the earning of the group.

Actuarial Assumptions	PERF	County Police Retirement Plan	County Police Benefit Plan
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%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 255,721	80%	\$ (135,432)
	06-30-04	197,212	115%	(165,034)
	06-30-05	262,945	141%	(180,620)
County Police Retirement Plan	12-31-03	268,699	88%	19,848
	12-31-04	297,038	100%	19,091
	12-31-05	283,810	100%	18,363
County Police Benefit Plan	12-31-03	27,579	100%	-
	12-31-04	29,814	100%	-
	12-31-05	25,441	100%	-

HANCOCK 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 (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 4,160,727	\$ 3,702,946	\$ 457,781	112%	\$ 5,101,584	9%
07-01-04	4,232,857	4,065,389	167,468	104%	5,936,306	3%
07-01-05	4,453,328	5,142,277	(688,949)	87%	6,275,888	(11%)

County Police Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 3,077,822	\$ 3,445,637	\$ (367,815)	89%	\$ 1,226,020	(30%)
01-01-02	3,368,141	3,368,141	-	100%	1,399,516	0%
01-01-03	3,581,977	3,581,977	-	100%	1,461,604	0%
01-01-04	3,974,391	3,974,391	-	100%	1,622,964	0%
01-01-05	4,465,708	4,465,708	-	100%	1,641,232	0%
01-01-06	4,960,370	4,960,370	-	100%	1,750,290	0%

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005

	Property Reassessment	HAVA Section 102	Surveyor's Coroner Perpetuation	Auditor's Transfer Fee	Recorder's Record Perpetuation	Assessment Training	Juvenile Probation Service	Drug Court
Receipts:								
Taxes	\$ 413,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	68,295	-	-	-	-	-	-	89,732
Charges for services	-	-	18,780	10,965	113,060	-	15,937	1,444
Fines and forfeits	-	-	-	-	-	-	-	-
Other	32,953	-	-	-	-	-	-	-
Total receipts	<u>514,315</u>	<u>-</u>	<u>18,780</u>	<u>10,965</u>	<u>113,060</u>	<u>-</u>	<u>15,937</u>	<u>91,176</u>
Disbursements:								
General government	274,155	-	10,415	10,815	31,517	6,413	-	52,945
Public safety	-	-	-	-	-	-	21,940	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	18,388	-	27,994	-	-	-	-	19,410
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Total disbursements	<u>292,543</u>	<u>-</u>	<u>38,409</u>	<u>10,815</u>	<u>31,517</u>	<u>6,413</u>	<u>21,940</u>	<u>72,355</u>
Excess (deficiency) of revenue over (under) disbursements	<u>221,772</u>	<u>-</u>	<u>(19,629)</u>	<u>150</u>	<u>81,543</u>	<u>(6,413)</u>	<u>(6,003)</u>	<u>18,821</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(4,834)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(4,834)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	216,938	-	(19,629)	150	81,543	(6,413)	(6,003)	18,821
Cash basis fund balance - beginning	947,338	121,296	38,898	-	358,927	6,877	11,831	47,827
Cash basis fund balance - ending	<u>\$ 1,164,276</u>	<u>\$ 121,296</u>	<u>\$ 19,269</u>	<u>\$ 150</u>	<u>\$ 440,470</u>	<u>\$ 464</u>	<u>\$ 5,828</u>	<u>\$ 66,648</u>
<u>Cash Basis Assets - December 31</u>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and cash equivalents	1,164,276	121,296	19,269	150	440,470	464	5,828	66,648
Total cash basis assets - December 31	<u>\$ 1,164,276</u>	<u>\$ 121,296</u>	<u>\$ 19,269</u>	<u>\$ 150</u>	<u>\$ 440,470</u>	<u>\$ 464</u>	<u>\$ 5,828</u>	<u>\$ 66,648</u>
<u>Cash Basis Fund Balance - December 31</u>								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,828	\$ -
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Other purposes	1,164,276	121,296	19,269	150	440,470	464	-	66,648
Unrestricted	-	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	<u>\$ 1,164,276</u>	<u>\$ 121,296</u>	<u>\$ 19,269</u>	<u>\$ 150</u>	<u>\$ 440,470</u>	<u>\$ 464</u>	<u>\$ 5,828</u>	<u>\$ 66,648</u>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Adult Probation Services	Clerk's Record Perpetuation	Superior Court I Transcript	Pretrial Diversion	Superior Court II Transcript	Circuit Court Transcript	Probation User Fees	Jury Pay
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	141,888	16,901	3,157	-	1,177	199	9,146	-
Fines and forfeits	-	-	-	3,399	-	-	-	12,168
Other	-	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>141,888</b>	<b>16,901</b>	<b>3,157</b>	<b>3,399</b>	<b>1,177</b>	<b>199</b>	<b>9,146</b>	<b>12,168</b>
Disbursements:								
General government	-	20,400	2,422	-	1,141	642	-	-
Public safety	100,057	-	-	52,186	-	-	814	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	4,249	-	-	10,724	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>104,306</b>	<b>20,400</b>	<b>2,422</b>	<b>62,910</b>	<b>1,141</b>	<b>642</b>	<b>814</b>	<b>-</b>
Excess (deficiency) of revenue over (under) disbursements	37,582	(3,499)	735	(59,511)	36	(443)	8,332	12,168
Other financing sources (uses)								
Transfers in	-	-	-	55,983	-	-	-	-
Transfers out	-	-	(2,318)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(2,318)</b>	<b>55,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	37,582	(3,499)	(1,583)	(3,528)	36	(443)	8,332	12,168
Cash basis fund balance - beginning	52,263	4,399	1,583	71,144	66	443	18	(12,562)
Cash basis fund balance - ending	<u>\$ 89,845</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 67,616</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ 8,350</u>	<u>\$ (394)</u>
<b>Cash Basis Assets - December 31</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and cash equivalents	89,845	900	-	67,616	102	-	8,350	(394)
<b>Total cash basis assets - December 31</b>	<u>\$ 89,845</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 67,616</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ 8,350</u>	<u>\$ (394)</u>
<b>Cash Basis Fund Balance - December 31</b>								
Restricted for:								
Public safety	\$ 89,845	\$ -	\$ -	\$ 67,616	\$ -	\$ -	\$ 8,350	\$ -
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Other purposes	-	900	-	-	102	-	-	(394)
Unrestricted	-	-	-	-	-	-	-	-
<b>Total cash basis fund balance - December 31</b>	<u>\$ 89,845</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 67,616</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ 8,350</u>	<u>\$ (394)</u>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	<u>Misdemeanant</u>	<u>Clerk Incentive</u>	<u>Supplemental Public Defender Service</u>	<u>Community Corrections Grant 531</u>	<u>Community Corrections Grant 532</u>	<u>Community Corrections Home Detention</u>	<u>Clerk Incentive (10-1-99)</u>	<u>Prosecutor Incentive</u>
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	33,963	-	-	64,049	135,676	-	34,657	-
Charges for services	-	-	42,295	-	-	679,487	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>33,963</b>	<b>-</b>	<b>42,295</b>	<b>64,049</b>	<b>135,676</b>	<b>679,487</b>	<b>34,657</b>	<b>-</b>
<b>Disbursements:</b>								
General government	-	-	-	-	-	-	8,296	17,521
Public safety	33,804	-	72	84,803	103,763	629,615	-	-
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	780	1,464	25,610	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>33,804</b>	<b>-</b>	<b>72</b>	<b>85,583</b>	<b>105,227</b>	<b>655,225</b>	<b>8,296</b>	<b>17,521</b>
Excess (deficiency) of revenue over (under) disbursements	159	-	42,223	(21,534)	30,449	24,262	26,361	(17,521)
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(120,162)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(120,162)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	159	-	(77,939)	(21,534)	30,449	24,262	26,361	(17,521)
Cash basis fund balance - beginning	31,173	299	106,868	22,912	823	277,961	464	27,952
Cash basis fund balance - ending	<u>\$ 31,332</u>	<u>\$ 299</u>	<u>\$ 28,929</u>	<u>\$ 1,378</u>	<u>\$ 31,272</u>	<u>\$ 302,223</u>	<u>\$ 26,825</u>	<u>\$ 10,431</u>
<b>Cash Basis Assets - December 31</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and cash equivalents	31,332	299	28,929	1,378	31,272	302,223	26,825	10,431
<b>Total cash basis assets - December 31</b>	<u>\$ 31,332</u>	<u>\$ 299</u>	<u>\$ 28,929</u>	<u>\$ 1,378</u>	<u>\$ 31,272</u>	<u>\$ 302,223</u>	<u>\$ 26,825</u>	<u>\$ 10,431</u>
<b>Cash Basis Fund Balance - December 31</b>								
Restricted for:								
Public safety	\$ 31,332	\$ -	\$ 28,929	\$ 1,378	\$ 31,272	\$ 302,223	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Other purposes	-	299	-	-	-	-	26,825	10,431
Unrestricted	-	-	-	-	-	-	-	-
<b>Total cash basis fund balance - December 31</b>	<u>\$ 31,332</u>	<u>\$ 299</u>	<u>\$ 28,929</u>	<u>\$ 1,378</u>	<u>\$ 31,272</u>	<u>\$ 302,223</u>	<u>\$ 26,825</u>	<u>\$ 10,431</u>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Prosecutor Incentive (10-1-99)	Emergency Gas Award	Guardian Ad Litem/Court	Hancock Area Rural Transit	Convention and Tourism	Local Road and Street	Health	New Tobacco Money
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,388	\$ -
Intergovernmental	34,655	1,050	2,662	58,848	164,376	664,578	61,733	34,646
Charges for services	-	-	-	-	-	241,361	76,337	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	44,061	23,018	-
<b>Total receipts</b>	<b>34,655</b>	<b>1,050</b>	<b>2,662</b>	<b>58,848</b>	<b>164,376</b>	<b>950,000</b>	<b>511,476</b>	<b>34,646</b>
Disbursements:								
General government	8,750	-	1,941	58,848	154,195	-	-	-
Public safety	-	1,050	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	1,125,083	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	395,283	22,288
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	2,305	4,563
<b>Total disbursements</b>	<b>8,750</b>	<b>1,050</b>	<b>1,941</b>	<b>58,848</b>	<b>154,195</b>	<b>1,125,083</b>	<b>397,588</b>	<b>26,851</b>
Excess (deficiency) of revenue over (under) disbursements	25,905	-	721	-	10,181	(175,083)	113,888	7,795
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(3,888)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,888)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	25,905	-	721	-	10,181	(175,083)	110,000	7,795
Cash basis fund balance - beginning	21,528	-	8,201	-	3,796	797,383	(11,193)	79,753
Cash basis fund balance - ending	<u>\$ 47,433</u>	<u>\$ -</u>	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 13,977</u>	<u>\$ 622,300</u>	<u>\$ 98,807</u>	<u>\$ 87,548</u>
<b>Cash Basis Assets - December 31</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and cash equivalents	47,433	-	8,922	-	13,977	622,300	98,807	87,548
<b>Total cash basis assets - December 31</b>	<u>\$ 47,433</u>	<u>\$ -</u>	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 13,977</u>	<u>\$ 622,300</u>	<u>\$ 98,807</u>	<u>\$ 87,548</u>
<b>Cash Basis Fund Balance - December 31</b>								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	622,300	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	98,807	87,548
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Other purposes	47,433	-	8,922	-	13,977	-	-	-
Unrestricted	-	-	-	-	-	-	-	-
<b>Total cash basis fund balance - December 31</b>	<u>\$ 47,433</u>	<u>\$ -</u>	<u>\$ 8,922</u>	<u>\$ -</u>	<u>\$ 13,977</u>	<u>\$ 622,300</u>	<u>\$ 98,807</u>	<u>\$ 87,548</u>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
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 For The Year Ended December 31, 2005  
 (Continued)

	Tobacco Settlement	Alcohol and Drug Services	Local Health Maintenance	Health Department Donations	Family and Children	Children's Residential Psychiatric Treatment	Welfare Administration	Bio-Terrorism Grant
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 762,901	\$ 630,047	\$ -	\$ -
Intergovernmental	-	-	47,773	-	542,075	104,184	29,874	58,281
Charges for services	-	28,950	-	200	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other	-	-	-	-	2,404	6,188	-	-
Total receipts	<u>-</u>	<u>28,950</u>	<u>47,773</u>	<u>200</u>	<u>1,307,380</u>	<u>740,419</u>	<u>29,874</u>	<u>58,281</u>
Disbursements:								
General government	-	-	-	-	-	-	-	-
Public safety	-	312,674	-	-	-	-	-	63,736
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	14,154	-	31,090	72	1,585,920	3,470	29,874	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-	-
Health and welfare	-	3,879	-	-	99,688	-	-	-
Total disbursements	<u>14,154</u>	<u>316,553</u>	<u>31,090</u>	<u>72</u>	<u>1,685,608</u>	<u>3,470</u>	<u>29,874</u>	<u>63,736</u>
Excess (deficiency) of revenue over (under) disbursements	<u>(14,154)</u>	<u>(287,603)</u>	<u>16,683</u>	<u>128</u>	<u>(378,228)</u>	<u>736,949</u>	<u>-</u>	<u>(5,455)</u>
Other financing sources (uses)								
Transfers in	-	239,708	-	-	-	-	-	-
Transfers out	-	-	-	-	(27,114)	(245,944)	-	-
Total other financing sources (uses)	<u>-</u>	<u>239,708</u>	<u>-</u>	<u>-</u>	<u>(27,114)</u>	<u>(245,944)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(14,154)</u>	<u>(47,895)</u>	<u>16,683</u>	<u>128</u>	<u>(405,342)</u>	<u>491,005</u>	<u>-</u>	<u>(5,455)</u>
Cash basis fund balance - beginning	<u>28,878</u>	<u>153,963</u>	<u>3,671</u>	<u>636</u>	<u>1,711,161</u>	<u>232,346</u>	<u>-</u>	<u>21,363</u>
Cash basis fund balance - ending	<u>\$ 14,724</u>	<u>\$ 106,068</u>	<u>\$ 20,354</u>	<u>\$ 764</u>	<u>\$ 1,305,819</u>	<u>\$ 723,351</u>	<u>\$ -</u>	<u>\$ 15,908</u>
<u>Cash Basis Assets - December 31</u>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and cash equivalents	14,724	106,068	20,354	764	1,305,819	723,351	-	15,908
Total cash basis assets - December 31	<u>\$ 14,724</u>	<u>\$ 106,068</u>	<u>\$ 20,354</u>	<u>\$ 764</u>	<u>\$ 1,305,819</u>	<u>\$ 723,351</u>	<u>\$ -</u>	<u>\$ 15,908</u>
<u>Cash Basis Fund Balance - December 31</u>								
Restricted for:								
Public safety	\$ -	\$ 106,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,908
Highways and streets	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Health and welfare	14,724	-	20,354	764	1,305,819	723,351	-	-
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-
Total cash basis fund balance - December 31	<u>\$ 14,724</u>	<u>\$ 106,068</u>	<u>\$ 20,354</u>	<u>\$ 764</u>	<u>\$ 1,305,819</u>	<u>\$ 723,351</u>	<u>\$ -</u>	<u>\$ 15,908</u>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
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 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Accident Report	Firearms Training	D.A.R.E.	Conservation Training	User Fee	Sheriffs Continuing Education	E911 General
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Charges for services	7,380	7,610	-	-	403,602	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	11,471	-	-	-	-
<b>Total receipts</b>	<b>7,380</b>	<b>7,610</b>	<b>11,471</b>	<b>-</b>	<b>403,602</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>							
General government	-	-	-	33	-	-	-
Public safety	8,708	7,550	11,708	-	-	-	345,163
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>8,708</b>	<b>7,550</b>	<b>11,708</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>345,163</b>
Excess (deficiency) of revenue over (under) disbursements	(1,328)	60	(237)	(33)	403,602	-	(345,163)
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	33	-	-	282,538
Transfers out	-	-	-	-	(301,679)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>(301,679)</b>	<b>-</b>	<b>282,538</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,328)	60	(237)	-	101,923	-	(62,625)
Cash basis fund balance - beginning	12,735	6,761	87	96	142,160	9,026	372,148
Cash basis fund balance - ending	<u>\$ 11,407</u>	<u>\$ 6,821</u>	<u>\$ (150)</u>	<u>\$ 96</u>	<u>\$ 244,083</u>	<u>\$ 9,026</u>	<u>\$ 309,523</u>
<b><u>Cash Basis Assets - December 31</u></b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	11,407	6,821	(150)	96	244,083	9,026	309,523
<b>Total cash basis assets - December 31</b>	<b>\$ 11,407</b>	<b>\$ 6,821</b>	<b>\$ (150)</b>	<b>\$ 96</b>	<b>\$ 244,083</b>	<b>\$ 9,026</b>	<b>\$ 309,523</b>
<b><u>Cash Basis Fund Balance - December 31</u></b>							
Restricted for:							
Public safety	\$ 11,407	\$ 6,821	\$ (150)	\$ -	\$ -	\$ 9,026	\$ 309,523
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Other purposes	-	-	-	96	244,083	-	-
Unrestricted	-	-	-	-	-	-	-
<b>Total cash basis fund balance - December 31</b>	<b>\$ 11,407</b>	<b>\$ 6,821</b>	<b>\$ (150)</b>	<b>\$ 96</b>	<b>\$ 244,083</b>	<b>\$ 9,026</b>	<b>\$ 309,523</b>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
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 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	<u>E911 Revenue</u>	<u>Emergency Planning/Right to Know</u>	<u>JAIBG Jobs Grant</u>	<u>Unsafe Building</u>	<u>State Homeland Security</u>	<u>IDEM Grant</u>	<u>Operation Pullover</u>
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	113,712	8,036	-	-	-	9,600	11,550
Charges for services	416,514	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total receipts</b>	<b>530,226</b>	<b>8,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,600</b>	<b>11,550</b>
<b>Disbursements:</b>							
General government	-	-	8,456	-	-	-	-
Public safety	-	272	-	-	2,481	-	11,374
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	7,905	-
Health and welfare	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>272</b>	<b>8,456</b>	<b>-</b>	<b>2,481</b>	<b>7,905</b>	<b>11,374</b>
Excess (deficiency) of revenue over (under) disbursements	530,226	7,764	(8,456)	-	(2,481)	1,695	176
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	(530,002)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(530,002)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	224	7,764	(8,456)	-	(2,481)	1,695	176
Cash basis fund balance - beginning	131,375	22,040	8,851	2,185	4,783	3,649	824
Cash basis fund balance - ending	<u>\$ 131,599</u>	<u>\$ 29,804</u>	<u>\$ 395</u>	<u>\$ 2,185</u>	<u>\$ 2,302</u>	<u>\$ 5,344</u>	<u>\$ 1,000</u>
<u>Cash Basis Assets - December 31</u>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	131,599	29,804	395	2,185	2,302	5,344	1,000
<b>Total cash basis assets - December 31</b>	<b>\$ 131,599</b>	<b>\$ 29,804</b>	<b>\$ 395</b>	<b>\$ 2,185</b>	<b>\$ 2,302</b>	<b>\$ 5,344</b>	<b>\$ 1,000</b>
<u>Cash Basis Fund Balance - December 31</u>							
Restricted for:							
Public safety	\$ 131,599	\$ 29,804	\$ -	\$ -	\$ 2,302	\$ -	\$ 1,000
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	5,344	-
Health and welfare	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Other purposes	-	-	395	2,185	-	-	-
Unrestricted	-	-	-	-	-	-	-
<b>Total cash basis fund balance - December 31</b>	<b>\$ 131,599</b>	<b>\$ 29,804</b>	<b>\$ 395</b>	<b>\$ 2,185</b>	<b>\$ 2,302</b>	<b>\$ 5,344</b>	<b>\$ 1,000</b>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Drug Free Community	Safe-T Grant	Livescan TP 3000 Award	Law Enforcement Continuing Education	Rainy Day	Excess Levy	Sheriff's Commissary
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	34,483	-	-	-	-
Charges for services	88,181	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	-	3,100	106,491
<b>Total receipts</b>	<b>88,181</b>	<b>-</b>	<b>34,483</b>	<b>-</b>	<b>-</b>	<b>3,100</b>	<b>106,491</b>
<b>Disbursements:</b>							
General government	-	-	-	-	-	-	145,428
Public safety	74,654	-	-	6,321	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	119,728	34,483	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>74,654</b>	<b>119,728</b>	<b>34,483</b>	<b>6,321</b>	<b>-</b>	<b>-</b>	<b>145,428</b>
Excess (deficiency) of revenue over (under) disbursements	13,527	(119,728)	-	(6,321)	-	3,100	(38,937)
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	5,955	-	165,994	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,955</b>	<b>-</b>	<b>165,994</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	13,527	(119,728)	-	(366)	-	169,094	(38,937)
Cash basis fund balance - beginning	87,197	116,687	-	1,029	866,349	36,819	198,995
Cash basis fund balance - ending	\$ 100,724	\$ (3,041)	\$ -	\$ 663	\$ 866,349	\$ 205,913	\$ 160,058
<b>Cash Basis Assets - December 31</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 866,349	\$ -	\$ -
Restricted assets:							
Cash and cash equivalents	100,724	(3,041)	-	663	-	205,913	160,058
<b>Total cash basis assets - December 31</b>	<b>\$ 100,724</b>	<b>\$ (3,041)</b>	<b>\$ -</b>	<b>\$ 663</b>	<b>\$ 866,349</b>	<b>\$ 205,913</b>	<b>\$ 160,058</b>
<b>Cash Basis Fund Balance - December 31</b>							
Restricted for:							
Public safety	\$ 100,724	\$ (3,041)	\$ -	\$ 663	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	205,913	160,058
Unrestricted	-	-	-	-	866,349	-	-
<b>Total cash basis fund balance - December 31</b>	<b>\$ 100,724</b>	<b>\$ (3,041)</b>	<b>\$ -</b>	<b>\$ 663</b>	<b>\$ 866,349</b>	<b>\$ 205,913</b>	<b>\$ 160,058</b>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Community Corrections Construction Bonds	Courthouse Annex Construction Bonds	E911 Bond and Interest	Cumulative Bridge	General Drain Improvement	Courthouse Annex Construction	Totals
Receipts:							
Taxes	\$ 240,807	\$ 1,341,696	\$ -	\$ 1,261,962	\$ 1,101	\$ -	\$ 5,001,969
Intergovernmental	39,883	222,871	-	205,767	-	-	2,877,009
Charges for services	-	-	-	-	-	-	2,324,571
Fines and forfeits	-	-	-	-	235	-	15,802
Other	-	-	-	47,545	87,225	33,734	398,190
<b>Total receipts</b>	<b>280,690</b>	<b>1,564,567</b>	<b>-</b>	<b>1,515,274</b>	<b>88,561</b>	<b>33,734</b>	<b>10,617,541</b>
Disbursements:							
General government	-	400	-	-	-	-	814,733
Public safety	-	-	-	-	-	-	1,872,745
Highways and streets	-	-	-	-	-	-	1,125,083
Sanitation	-	-	-	-	-	-	7,905
Health and welfare	-	-	-	-	-	-	2,082,151
Debt service:							
Principal	135,000	860,000	180,000	-	-	-	1,175,000
Interest	51,590	280,663	67,464	-	-	-	399,717
Capital outlay:							
General government	-	-	-	-	134,523	1,485,703	1,686,018
Public safety	-	-	-	-	-	-	197,038
Highways and streets	-	-	-	718,256	-	-	718,256
Health and welfare	-	-	-	-	-	-	110,435
<b>Total disbursements</b>	<b>186,590</b>	<b>1,141,063</b>	<b>247,464</b>	<b>718,256</b>	<b>134,523</b>	<b>1,485,703</b>	<b>10,189,081</b>
Excess (deficiency) of revenue over (under) disbursements	94,100	423,504	(247,464)	797,018	(45,962)	(1,451,969)	428,460
Other financing sources (uses)							
Transfers in	-	-	247,464	-	171,409	-	1,169,084
Transfers out	(2,995)	(18,392)	-	(7,304)	-	-	(1,264,632)
<b>Total other financing sources (uses)</b>	<b>(2,995)</b>	<b>(18,392)</b>	<b>247,464</b>	<b>(7,304)</b>	<b>171,409</b>	<b>-</b>	<b>(95,548)</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	91,105	405,112	-	789,714	125,447	(1,451,969)	332,912
Cash basis fund balance - beginning	11,919	217,834	-	1,040,571	527,194	1,716,263	10,707,863
Cash basis fund balance - ending	\$ 103,024	\$ 622,946	\$ -	\$ 1,830,285	\$ 652,641	\$ 264,294	\$ 11,040,775
<b>Cash Basis Assets - December 31</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 866,349
Restricted assets:							
Cash and cash equivalents	103,024	622,946	-	1,830,285	652,641	264,294	10,174,426
<b>Total cash basis assets - December 31</b>	<b>\$ 103,024</b>	<b>\$ 622,946</b>	<b>\$ -</b>	<b>\$ 1,830,285</b>	<b>\$ 652,641</b>	<b>\$ 264,294</b>	<b>\$ 11,040,775</b>
<b>Cash Basis Fund Balance - December 31</b>							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,288,427
Highways and streets	-	-	-	-	-	-	622,300
Sanitation	-	-	-	-	-	-	5,344
Health and welfare	-	-	-	-	-	-	2,251,367
Debt service	103,024	622,946	-	-	-	-	725,970
Capital projects	-	-	-	1,830,285	652,641	264,294	2,747,220
Other purposes	-	-	-	-	-	-	2,533,798
Unrestricted	-	-	-	-	-	-	866,349
<b>Total cash basis fund balance - December 31</b>	<b>\$ 103,024</b>	<b>\$ 622,946</b>	<b>\$ -</b>	<b>\$ 1,830,285</b>	<b>\$ 652,641</b>	<b>\$ 264,294</b>	<b>\$ 11,040,775</b>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005

	Bids, Bonds, and Deposits	Surplus Tax	Surplus Dog Tax	Tax Sale Redemption	Surplus Tax Sale	Payroll	State Sales Disclosure Fee	Coroner Education
Additions:								
Agency fund additions	\$ 58,905	\$ 75,156	\$ 2,598	\$ 91,618	\$ 218,573	\$ 5,560,731	\$ 23,850	\$ 3,427
Deductions:								
Agency fund deductions	75,994	114,991	3,909	91,618	483,224	5,327,260	11,960	3,415
Excess (deficiency) of total additions over (under) total deductions	(17,089)	(39,835)	(1,311)	-	(264,651)	233,471	11,890	12
Cash and investment fund balance - beginning	137,289	83,529	1,311	574	495,366	223,811	12,952	267
Cash and investment fund balance - ending	\$ 120,200	\$ 43,694	\$ -	\$ 574	\$ 230,715	\$ 457,282	\$ 24,842	\$ 279

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	Welfare Trust	Hospital Care for the Indigent	Medical Assistance to Wards	Children with Special Needs	City and Town Court Costs	Infraction Judgments	Special Death Benefits
Additions:							
Agency fund additions	\$ 2,200	\$ 239,605	\$ 5,172	\$ 53,423	\$ 21,986	\$ 140,013	\$ 5,295
Deductions:							
Agency fund deductions	-	239,605	5,172	53,423	33,562	148,937	5,295
Excess (deficiency) of total additions over (under) total deductions	2,200	-	-	-	(11,576)	(8,924)	-
Cash and investment fund balance - beginning	8,410	-	-	-	11,576	8,924	-
Cash and investment fund balance - ending	<u>\$ 10,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	<u>Overweight Vehicle Fines</u>	<u>Education Plate Fee</u>	<u>Congressional School Interest</u>	<u>Inheritance Tax</u>	<u>State Fair Board</u>	<u>State Forestry Tax</u>	<u>Interstate Transfer Fee</u>
Additions:							
Agency fund additions	\$ 16,873	\$ 5,644	\$ 855	\$ 2,527,120	\$ 41,374	\$ 82,748	\$ 438
Deductions:							
Agency fund deductions	17,513	5,306	429	2,611,238	41,374	82,748	213
Excess (deficiency) of total additions over (under) total deductions	(640)	338	426	(84,118)	-	-	225
Cash and investment fund balance - beginning	640	-	20,388	367,750	-	-	-
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 338</u>	<u>\$ 20,814</u>	<u>\$ 283,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225</u>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	<u>State Fines and Forfeitures</u>	<u>Mortgage Fees State Share</u>	<u>Board of Health</u>	<u>Sheriff</u>	<u>Sheriff's Inmate Trust</u>	<u>Community Corrections</u>	<u>Clerk of the Circuit Court</u>
Additions:							
Agency fund additions	<u>\$ 52,001</u>	<u>\$ 14,655</u>	<u>\$ 96,410</u>	<u>\$ 3,417,657</u>	<u>\$ 133,129</u>	<u>\$ 758,512</u>	<u>\$ 3,897,528</u>
Deductions:							
Agency fund deductions	<u>56,849</u>	<u>14,655</u>	<u>96,670</u>	<u>3,420,647</u>	<u>131,911</u>	<u>730,440</u>	<u>3,835,984</u>
Excess (deficiency) of total additions over (under) total deductions	(4,848)	-	(260)	(2,990)	1,218	28,072	61,544
Cash and investment fund balance - beginning	<u>8,800</u>	<u>-</u>	<u>2,306</u>	<u>104,951</u>	<u>5,462</u>	<u>46,802</u>	<u>1,586,087</u>
Cash and investment fund balance - ending	<u><u>\$ 3,952</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,046</u></u>	<u><u>\$ 101,961</u></u>	<u><u>\$ 6,680</u></u>	<u><u>\$ 74,874</u></u>	<u><u>\$ 1,647,631</u></u>

HANCOCK COUNTY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2005  
 (Continued)

	<u>Recorder</u>	<u>Treasurer</u>	<u>Area Planning Commission</u>	<u>Probation</u>	<u>Substance Abuse</u>	<u>Tax Distribution</u>	<u>Total</u>
Additions:							
Agency fund additions	<u>\$ 422,251</u>	<u>\$ 52,274,889</u>	<u>\$ 310,495</u>	<u>\$ 170,659</u>	<u>\$ 29,160</u>	<u>\$ 85,253,304</u>	<u>\$ 156,008,254</u>
Deductions:							
Agency fund deductions	<u>419,070</u>	<u>65,588,316</u>	<u>309,875</u>	<u>167,668</u>	<u>28,980</u>	<u>85,625,518</u>	<u>169,783,769</u>
Excess (deficiency) of total additions over (under) total deductions	3,181	(13,313,427)	620	2,991	180	(372,214)	(13,775,515)
Cash and investment fund balance - beginning	<u>31,026</u>	<u>14,255,828</u>	<u>20,605</u>	<u>9,549</u>	<u>240</u>	<u>3,071,595</u>	<u>20,516,038</u>
Cash and investment fund balance - ending	<u>\$ 34,207</u>	<u>\$ 942,401</u>	<u>\$ 21,225</u>	<u>\$ 12,540</u>	<u>\$ 420</u>	<u>\$ 2,699,381</u>	<u>\$ 6,740,523</u>

HANCOCK COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2005

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.

General infrastructure assets completed in prior years have been reported and only include parking lots.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,430,192
Infrastructure	222,289
Buildings	18,431,425
Machinery and equipment	7,763,229
Construction in progress	<u>1,056,889</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 28,904,024</u>

HANCOCK COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2005

CAPITAL LEASES

The County has entered into the following capital leases:

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Dura patcher - county highway	\$ 17,826	\$ 17,826	\$ 17,826
Truck - county surveyor	13,450	13,450	4,239
	<u>Ending Balance</u>	<u>Due Within One Year</u>	
Governmental activities:			
Notes and loans payable	\$ 208,948	\$ 41,790	
Bonds payable:			
General obligation bonds:			
2001 Community corrections center	1,070,000	145,000	
2002 Courthouse annex	8,055,000	900,000	
2005 Courthouse renovation	5,370,000	280,000	
Revenue bonds:			
2001 E911 emergency telephone system	1,293,000	188,000	
Total governmental activities long-term debt	<u>\$ 15,996,948</u>	<u>\$ 1,554,790</u>	

HANCOCK COUNTY  
OTHER REPORTS

The annual report presented herein was prepared in addition to other official reports prepared for the individual County offices listed below:

Clerk of the Circuit Court  
County Community Corrections Department  
County Prosecuting Attorney  
County Sheriff

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 HANCOCK COUNTY, INDIANA

Compliance

We have audited the compliance of the Hancock 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, 2005. 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, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-3.

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)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-3.

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 the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we do not consider any 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

July 3, 2006

HANCOCK COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2005

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 JUSTICE</u>			
Direct Grant			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program GLINS - 021	16.580	12-05-0028	\$ 3,497
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Formula Grant Program Drug Court Drug Court	16.579	03-DB-018 04-DB-013	22,282 44,073
Total for program			66,355
Total for federal grantor agency			69,852
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Formula Grants for Other Than Urbanized Areas Senior Citizen's Transportation Grant	20.509	05022381	58,848
Pass-Through Indiana Criminal Justice Institute State and Community Highway Safety Operation Pullover	20.600	2005	11,374
Safety Incentive Grants for Use of Seatbelts Emergency Gas Award	20.604	2005	1,050
Total for federal grantor agency			71,272
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance West Nile Virus Bio-Terrorism Grant FY 2004/05 Bio-Terrorism Grant FY 2005/06	93.283	Phase 2 BPRS 129-2 BPRS 129-2	2,500 35,267 22,678
Total for program			60,445
Pass-Through Indiana Family and Social Services Administration Promoting Safe and Stable Families Family Preservation	93.556	2005	6,882

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

HANCOCK COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2005  
(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 HEALTH AND HUMAN SERVICES (continued)</u>			
Pass-Through Indiana Family and Social Services Administration (continued)			
Child Support Enforcement	93.563		
Child Support Expenses		2005	196,047
Title IV D County General		2005	34,655
Clerk's Incentive		2005	8,296
Prosecutor's Incentive		2005	8,750
Family and Children		2005	<u>851</u>
Total for program			<u>248,599</u>
Child Welfare Services - State Grants	93.645		
Child Welfare		2005	<u>72,277</u>
Medicare - Supplementary Medical Insurance	93.774		
Medicare		2005	<u>6,104</u>
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations	93.779		
Local Health Maintenance Fund		2005	<u>8,262</u>
Total for federal grantor agency			<u>402,569</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Cooperating Technical Partners	97.045		
		EMC-2004-GR-0201	<u>26,006</u>
Pass-Through Indiana Department of Homeland Security			
State Domestic Preparedness Equipment Support Program			
Livescan TP3500	97.004	2005	<u>34,483</u>
Total for program			<u>60,489</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		
Snow Emergency		3197	<u>51,382</u>
Total for federal grantor agency			<u>111,871</u>
Total federal awards expended			<u>\$ 655,564</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

HANCOCK COUNTY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Hancock County (County) 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.

HANCOCK 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?	yes

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?	yes

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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
16.579	Edward Byrne Memorial State and Local Law Enforcement Formula Grant Program
93.563	Child Support Enforcement
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

FINDING 2005-1, REPORTABLE CONDITION - CHILD SUPPORT ENFORCEMENT CASE BALANCES

Hancock County, in conjunction with the Family and Social Services Administration, accounted for child support collections and payments through the Indiana Support Enforcement Tracking System (ISETS) during 2005. The following deficiency was identified:

Balances of child support cases include errors resulting from data conversion, information not recorded during the time period from data conversion to system implementation, computer application processing errors and user errors. Subaccount balances of support cases in the files of the County did not always agree with the ISETS balance as a result of these errors. The errors are currently being corrected on a case-by-case basis as they are identified.

HANCOCK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

As a result, incorrect or missing subaccount balances could cause money to be held in the system, cause checks to be printed to an incorrect payee (the state vs. the custodial parent), cause absent parents' tax refunds to be erroneously intercepted, or result in failure to enforce collection of child support funds.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, 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.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

We recommended that action be expedited to ensure that all subaccount balances are researched and corrected in a timely manner.

FINDING 2005-2, REPORTABLE CONDITION - LACK OF INTERNAL CONTROLS

The internal controls over the reconciling of the Indiana Support Enforcement Tracking System (ISETS) bank account to the Clerk of the Circuit Court's ledger amount were insufficient. The Clerk did not reconcile the ISETS bank account balance to the ledger balance during the audit period. Prior to this audit period, an error in reconciling occurred and County Officials contacted the ISETS help desk at the Indiana Family and Social Services Administration (FSSA) for assistance. Reconciliation information was turned over to FSSA, who reconciled ISETS transactions to bank activity through December 2004. Reconciliation information for 2005 was turned over to FSSA in May 2006.

Failure to properly perform timely reconciliations of the bank account balance to the ledger balance could result in errors not being timely corrected and inaccurate information being presented on the financial records.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, 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.

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 Clerks of the Circuit Courts of Indiana, Chapter 13)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

We recommended that internal controls are established and followed to ensure the ISETS bank account is reconciled monthly to the ledger balance.

HANCOCK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2005-3, SPECIAL TESTS AND PROVISIONS/REPORTABLE CONDITION

Federal Agency: U.S. Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Pass-Through Agency: Indiana Family and Social Services Administration

Hancock County, in conjunction with the Family and Social Services Administration, accounted for child support collections and payments through the Indiana Support Enforcement Tracking System (ISETS) during 2005. The following deficiency was identified:

Balances of child support cases include errors resulting from data conversion, information not recorded during the time period from data conversion to system implementation, computer application processing errors and user errors. Subaccount balances of support cases in the files of the County did not always agree with the ISETS balance as a result of these errors. The errors are currently being corrected on a case-by-case basis as they are identified.

45 CFR 303.6 states in part: ". . . the IV-D agency must maintain and use an effective system for: (a) Monitoring compliance with the support obligation; (b) identifying on the date the parent fails to make payments in an amount equal to the support payable . . ."

As a result of the inaccurate balances, enforcement actions may be initiated improperly or may not be initiated when required.

We recommended that action be expedited to ensure that all subaccount balances are researched and corrected in a timely manner.

HANCOCK COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Office of

**LINDA J. GRASS**



Clerk Of Hancock Circuit And Superior Courts

Room 201, Court House  
9 East Main Street  
Greenfield, IN 46140  
(317) 477-1109  
Fax (317) 477-1163

### **Corrective Action Plan**

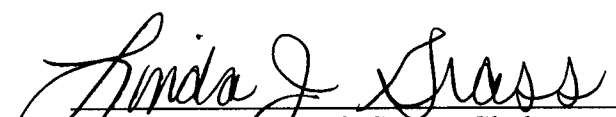
#### **FINDINGS NO. 2005-1 and 2005-3 Reportable Condition – Child Support Enforcement Case Balances**


Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Support enforcement
CFDA Number:	93.563
Auditee Contact Person:	Linda Grass
Title of Contact Person:	Clerk of the Circuit Court
Phone Number:	317-477-1109
Expected Completion Date:	October 1, 2006

We have requested in a letter to the Director of the Division of Family and Children, Indiana Family and Social Services Administration, additional training and assistance in the correction of errors in case subaccount balances.

#### **FINDING NO. 2005-2 Reportable Condition – Lack of Internal Controls**

All reconciliation information for 2005 was turned over to FSSA in May 2006. They have been assisting Hancock County in the reconciliation of Child Support. Once 2005 has been reconciled and all materials have been returned to Hancock County. We will do our own reconciliation beginning with January 2006. Expected date of completion for the 2005 reconciliation from FSSA is October 1, 2006

  
Linda Grass, Hancock County Clerk

  
Date



Office of the Prosecuting Attorney  
Hancock County, Indiana  
Child Support Division  
27 American Legion Place  
Greenfield, Indiana 46140-2317  
Phone 317-477-1713 • Fax 317-477-1180

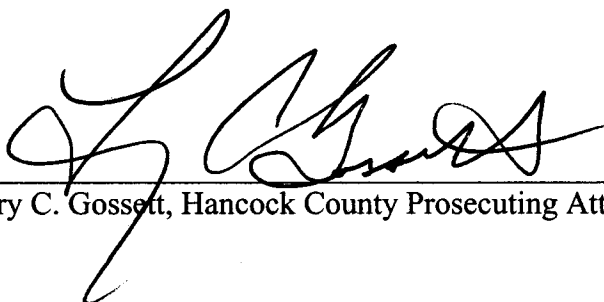
Larry C. Gossett  
Prosecuting Attorney  
Patricia K. Cole  
Child Support Administrator

**CORRECTIVE ACTION PLAN**

**FINDINGS NO. 2005-1 and 2005-3 Reportable Condition- Child Support Enforcement Case Balances**

Federal Agency: U.S. Department of Health and Human Services  
Federal Program: Child Support Enforcement  
CFDA Number: 93.563  
Auditee Contact Person: Larry Gossett  
Title of Contact Person: Hancock County Prosecuting Attorney  
Phone Number: 317-477-1139  
Expected Completion Date: 10-1-06

We have requested in a letter to the Director of the Division of Family and Children, Indiana Family and Social Services Administration, additional training and assistance in the correction of errors in case subaccount balances.

  
\_\_\_\_\_  
Larry C. Gossett, Hancock County Prosecuting Attorney

6/13/06  
\_\_\_\_\_  
Date

VICKI L. SAUNDERS  
*Hancock County Auditor*



Hancock County Courthouse Annex  
111 American Legion Place, Suite 217  
Greenfield, IN 46140-2386

Phone: (317) 477-1149  
Fax: (317) 477-1712

CORRECTIVE ACTION PLAN

FINDINGS NO. 2005-1 and 2005-3 Reportable Condition – Child Support Enforcement Case Balances

Federal Agency:	U.S. Department of Health and Human Services
Federal Program	Child Support Enforcement
CFDA Number:	93.563
Auditee Contact Person:	Vicki Saunders
Title of Contact Person:	Hancock County Auditor
Phone Number:	317-477-1105
Expected Completion Date:	<u>10-01-06</u>

We have requested in a letter to the Director of the Division of Family and Children, Indiana Family and Social Services Administration, additional training and assistance in the correction of errors in case subaccount balances.

  
\_\_\_\_\_  
Vicki Saunders, Hancock County Auditor

6-8-06  
\_\_\_\_\_  
Date

HANCOCK COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 3, 2006, with Brian Kleiman, President of the Board of County Commissioners; Armin B. Apple, County Commissioner; and Trisha Holliday, Chief Deputy Auditor.