AUDIT REPORT OF
HANCOCK COUNTY CLERK

Calendar Year 2006

Donna Bouvier
Certified Public Accountant

Member: American Institute of Certified Public Accountants
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HANCOCK COUNTY CLERK

For The Year Ended December 31, 2006

I have completed the Hancock County Clerk's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

Excess fees decreased by $11,269 from the prior calendar year, resulting in excess fees of $45,341 as of December 31, 2006. Revenues decreased by $141,571 from the prior year and expenditures decreased by $130,302.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities.

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The Honorable Jack B.McCaslin, Hancock County Judge/Executive
Honorable Trina Ogle, Hancock County Clerk
Members of the Hancock County Fiscal Court

Independent Auditor's Report

I have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Hancock County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the County Clerk. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statement referred to above presents fairly in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2006, in conformity with the regulatory basis of accounting.

In accordance with *Government Auditing Standards*, I have issued a report dated March 9, 2007, on my consideration of the County Clerk's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Honorable Jack B. McCaslin, Hancock County Judge/Executive
Honorable Trina Ogle, Hancock County Clerk
Members of the Hancock County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Hancock County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

Donna Bouvier

Donna Bouvier
Certified Public Accountant

March 9, 2007

HANCOCK COUNTY
TRINA OGLE, CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES – REGULATORY BASIS
For The Year Ended December 31, 2006

Revenues		
State Fees For Services		$ 2,244
Fiscal Court		2,225
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	$ 261,788	
Usage Tax	309,555	
Tangible Personal Property Tax	533,553	
Licenses-		
Fish and Game	8,613	
Marriage	2,829	
Miscellaneous	392	
Deed Transfer Tax	17,793	
Delinquent Tax	27,708	1,162,231
Fees Collected for Services:		
Recordings-		
Deeds, Easements and Contracts	6,057	
Real Estate Mortgages	14,009	
Chattel Mortgages and Financing Statements	26,912	
Affordable Housing Trust	4,224	
All Other Recordings	8,677	
Charges for Other Services-		
Copywork	2,782	
Postage	260	62,921
Other:		
Lien Releases	1,606	
Cash Shortage	(53)	1,553
Interest Earned		800
Total Revenues		$ 1,231,974

The accompanying notes are an integral part of the financial statement.

HANCOCK COUNTY
TRINA OGLE, CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES-REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Expenditures			
Payments to State:			
Motor Vehicle-			
Licenses and Transfers	$ 212,613		
Usage Tax	300,352		
Tangible Personal Property Tax	239,609	$ 752,574	
Licenses-			
Fish and Game	8,688		
Delinquent Tax	3,493		
Legal Process Tax	7,186	19,367	
Affordable Housing Trust		4,224	
Payments to Fiscal Court:			
Tangible Personal Property Tax	30,003		
Delinquent Tax	2,406		
Deed Transfer Tax	16,904	49,313	
Tangible Personal Property Tax	242,577		
Delinquent Tax	13,481	256,058	
Payments to Sheriff		370	
Payments to County Attorney		2,675	
Operating Expenditures:			
Personal Services-			
Deputies Salaries		22,079	
Contracted Services-			
Maintenance Agreements	441		
Preparing Tax Bills	1,447	1,888	
Supplies and Materials-			
Office Supplies		1,923	
Other Charges-			
Conventions and Travel	708		
Dues	300		
Postage	3,316		
Bad Debt Expense	210		
Miscellaneous	338	4,872	
Total Expenditures			$ 1,115,343

The accompanying notes are an integral part of the financial statement.

HANCOCK COUNTY
TRINA OGLE, CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES-REGULATORY BASIS
For The Year Ended December 31, 2006
(Continued)

Net Revenues		$ 116,631
Less: Statutory Maximum		64,388
Excess Fees		52,243
Less: Expense Allowance	3,600	
Clerk's Training Incentive (HB 810)	3,302	6,902
Excess Fees Due County for 2006		45,341
Payments to County Treasurer- February 12, 2007		45,341
Balance Due at Completion of Audit		$ -

The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENT

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1: Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15.

The financial statement has been prepared on regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods and services provided in 2006

The measurement focus of fee officials is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

Note 1: Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2: Employees Retirement System

The county officials and employees have elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a cost-sharing, multiple-employer defined benefit pensions plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3: Deposits

The County Clerk maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480 (1) (d). According to KRS 41.240 (4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met.

Custodial credit risk is the risk that in the event of a depository institution's failure, the County Clerk's deposits may not be returned to her. The County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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The Honorable Jack B. McCaslin, Hancock County Judge/Executive
Honorable Trina Ogle, Hancock County Clerk
Members of the Hancock County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

I have audited the statement of revenues, expenditures, and excess fees – regulatory basis of the Hancock County Clerk for the year ended December 31, 2006, and have issued my report thereon dated March 9, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Hancock County Clerk's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Hancock County Clerk's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An
Audit of Financial Statements Performed In Accordance
With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hancock County Clerk's financial statement is free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, contracts, and grant agreements, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, the Hancock County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Donna Bouvier

Donna Bouvier
Certified Public Accountant

March 9, 2007