

**REPORT OF THE AUDIT OF THE  
HANCOCK COUNTY  
FISCAL COURT**

**For The Year Ended  
June 30, 2019**



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Johnny W. Roberts, Jr., Hancock County Judge/Executive

The Honorable Jack B. McCaslin, Former Hancock County Judge/Executive

Members of the Hancock County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Hancock County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Hancock County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our 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 Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



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**Auditor's Responsibility (Continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the Hancock County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Hancock County Fiscal Court as of June 30, 2019, or changes in financial position or cash flows thereof for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Hancock County Fiscal Court as of June 30, 2019, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

**Other Matters**

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Hancock County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

The accompanying Budgetary Comparison Schedules is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020, on our consideration of the Hancock County Fiscal Court's internal control over financial reporting and on our 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 our 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* in considering the Hancock County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report findings:

- 2019-001 The Hancock County Fiscal Court Did Not Properly Account For The Rescue Squad
- 2019-002 The Hancock County Fiscal Court Did Not Properly Account For The Dive Team Financial Activities
- 2019-003 The Hancock County Fiscal Court Failed To Properly Account For The Public Facilities Construction Corporation Fund
- 2019-004 Debt Balances Do Not Agree To The Long-Term Liabilities On The 4th Quarter Report
- 2019-005 The Hancock County Fiscal Court Overstated Transfers For The General Fund

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts

March 20, 2020

**HANCOCK COUNTY OFFICIALS****For The Year Ended June 30, 2019****Fiscal Court Members:**

Jack B. McCaslin	County Judge/Executive (July 1, 2018 to December 31, 2018)
Johnny W. Roberts, Jr.	County Judge/Executive (January 1, 2019 to June 30, 2019)
John M. Gray	Magistrate
James W. Hodskins	Magistrate
Johnny W. Roberts, Jr.	Magistrate (July 1, 2018 to December 31, 2018)
Kasey Emmick	Magistrate (January 1, 2019 to June 30, 2019)
Larry G. Sosh	Magistrate (July 1, 2018 to December 31, 2018)
L.T. Newton	Magistrate (January 1, 2019 to June 30, 2019)

**Other Elected Officials:**

Paul Madden, Jr	County Attorney
Roger D. Estes	Jailer
Trina M. Ogle	County Clerk
Noel Quinn	Circuit Court Clerk (July 1, 2018 to December 31, 2018)
Michael Bolin	Circuit Court Clerk (January 1, 2019 to June 30, 2019)
Ralph D. Bozarth	Sheriff
Karen Robertson	Property Valuation Administrator
David C. Gibson	Coroner

**Appointed Personnel:**

Melissa D. Johnson	County Treasurer
Stacy L. Bozarth	Occupational Tax Administrator
Karen C. Bolin	Personnel Officer



**HANCOCK COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2019**

**HANCOCK COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2019**

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 4,542,999	\$	\$
In Lieu Tax Payments	10,104		
Excess Fees	168,342		
Licenses and Permits	7,733		
Intergovernmental	764,420	1,031,255	81,983
Charges for Services	221,318		14,063
Miscellaneous	438,086	241,957	214
Interest	11,022	2,391	
Total Receipts	<u>6,164,024</u>	<u>1,275,603</u>	<u>96,260</u>
<b>DISBURSEMENTS</b>			
General Government	1,486,415		
Protection to Persons and Property	1,115,310		225,551
General Health and Sanitation	165,040		
Social Services	148,888		
Recreation and Culture	860,491		
Roads		1,490,378	
Airports	110,244		
Debt Service		169,384	
Capital Projects	1,250		
Administration	1,458,018	186,697	19,057
Total Disbursements	<u>5,345,656</u>	<u>1,846,459</u>	<u>244,608</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>818,368</u>	<u>(570,856)</u>	<u>(148,348)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Changes to Payroll Revolving Account	16,915		
Financing Obligation Proceeds		141,922	
Transfers From Other Funds		520,000	150,000
Transfers To Other Funds	(741,252)		
Total Other Adjustments to Cash (Uses)	<u>(724,337)</u>	<u>661,922</u>	<u>150,000</u>
Net Change in Fund Balance	94,031	91,066	1,652
Fund Balance - Beginning (Restated)	<u>3,593,297</u>	<u>103,559</u>	<u>1,308</u>
Fund Balance - Ending	<u>\$ 3,687,328</u>	<u>\$ 194,625</u>	<u>\$ 2,960</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 3,809,689	\$ 220,989	\$ 5,068
Payroll Revolving Account Reconciled Balance	17,246		
Less: Outstanding Checks	(139,607)	\$ (26,364)	\$ (2,108)
Fund Balance - Ending	<u>\$ 3,687,328</u>	<u>\$ 194,625</u>	<u>\$ 2,960</u>

The accompanying notes are an integral part of the financial statement

**HANCOCK COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2019**  
**(Continued)**

<u>Budgeted Funds</u>			<u>Unbudgeted Fund</u>	
<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants</u>	<u>E911 Fund</u>	<u>Public Facilities Construction Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$ 26,159	\$	\$ 4,569,158
				10,104
				168,342
				7,733
23,878	287,010	114,158	769,404	3,072,108
				235,381
				680,257
1,574		2,576	1,184	18,747
<u>25,452</u>	<u>287,010</u>	<u>142,893</u>	<u>770,588</u>	<u>8,761,830</u>
				1,486,415
1,071		147,663		1,489,595
180				165,220
11,400	295,201			455,489
2,843				863,334
40,887				1,531,265
				110,244
			768,904	938,288
				1,250
			500	1,664,272
<u>56,381</u>	<u>295,201</u>	<u>147,663</u>	<u>769,404</u>	<u>8,705,372</u>
(30,929)	(8,191)	(4,770)	1,184	56,458
				16,915
				141,922
	71,252			741,252
				(741,252)
	<u>71,252</u>			<u>158,837</u>
(30,929)	63,061	(4,770)	1,184	215,295
<u>229,678</u>	<u>1,800</u>	<u>427,640</u>	<u>62,722</u>	<u>4,420,004</u>
<u>\$ 198,749</u>	<u>\$ 64,861</u>	<u>\$ 422,870</u>	<u>\$ 63,906</u>	<u>\$ 4,635,299</u>
\$ 198,749	\$ 64,861	\$ 428,995	\$ 63,906	\$ 4,792,257
				17,246
		(6,125)		(174,204)
<u>\$ 198,749</u>	<u>\$ 64,861</u>	<u>\$ 422,870</u>	<u>\$ 63,906</u>	<u>\$ 4,635,299</u>

The accompanying notes are an integral part of the financial statement

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**HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Hancock County includes all budgeted and unbudgeted funds under the control of the Hancock County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The Hancock County Airport Board would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer are required components of the reporting entity.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Federal Grants Fund - The primary purpose of this fund is to account for community development block grant expenses. The source of receipts is grants from the federal government.

E911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted fund:

Public Facilities Construction Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the public facilities construction corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Hancock County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Hancock County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Hancock County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**F. Deposits and Investments**

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

KRS 66.480 authorizes the county to invest in 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).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**Note 2. Deposits**

The fiscal court maintained 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, 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 fiscal court 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, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2019.

	General Fund	Total Transfers In
Road Fund	\$ 520,000	\$ 520,000
Jail Fund	150,000	150,000
Federal Grants Fund	71,252	71,252
Total Transfers Out	<u>\$ 741,252</u>	<u>\$ 741,252</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

**Note 4. Note Receivable**

Hancock County Airport was given a temporary loan in fiscal year 2018 in the amount of \$24,217. As of June 30, 2019 the loan amount has been paid in full.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Ambulance**

Hancock County Fiscal Court borrowed \$100,000 from Mr. and Mrs. Floyd Bray Trust Fund, Hancock Bank & Trust Company, Trustee for the purchase of an ambulance. Terms of the agreement stipulate a four-and-a-half-year repayment schedule (Final Payment due August 15, 2022) with an interest rate of 2.18%. The note is secured by but not limited to the 2018 Ford Ambulance. In the event of a default the ambulance will be repossessed by the financial institution. As of June 30, 2019, the principal balance was \$79,889. Future principal and interest requirements are:



**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**1. Ambulance (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 19,332	\$ 1,742
2021	19,749	1,324
2022	20,184	890
2023	20,624	450
Totals	<u>\$ 79,889</u>	<u>\$ 4,406</u>

**2. Fire Truck**

Hancock County Fiscal Court borrowed \$68,469 from Green River Area Development District (GRADD) for the purchase of a fire truck effective January 11, 2017. Terms of the agreement stipulate a four-year repayment schedule with a variable interest rate with a current rate of 4.13% effective January 3rd, 2019. The note is secured by a pledge of general revenues from the Hancock County Fiscal Court. In the event of a default GRADD has the right to receive the revenues pledged due by the county. As of June 30, 2019, the principal balance was \$34,485. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 16,956	\$ 1,424
2021	17,529	727
Totals	<u>\$ 34,485</u>	<u>\$ 2,151</u>

**3. Loader**

The Hancock County Fiscal Court borrowed \$100,000 from the Green River Area Development District for the purchase of a loader effective December 3, 2014. Terms of the agreement stipulate a four-year repayment schedule with an interest rate of 2.44 percent. As of June 30, 2019, the principal balance was \$0.

**4. Dump Truck**

Hancock County Fiscal Court entered into a lease agreement between Kentucky Association of Counties Leasing Trust, as Administrator and Magnolia Bank, Inc. as Lessor to finance the purchase of a 2019 GR64F Dump Truck on December 10, 2018. The lease is for \$141,922 at a 4.15% interest rate. Interest payments are due by the 20th of each month for 17 months. As of June 30, 2019, the principal balance was \$141,922. The future principal and interest requirements are:

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**4. Dump Truck (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 141,922	\$ 4,908
Totals	<u>\$ 141,922</u>	<u>\$ 4,908</u>

**5. 2017 Mack Truck Lease**

The Hancock County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to finance the purchase of a GU713 Mack Truck on October 14, 2017. The lease is for \$137,904 at a 3.75 percent interest rate. Interest payments are due by the 20th of each month for 18 months. As of June 30, 2019, the principal balance was \$0.

**B. Assets Held For Resale**

	Beginning Balance	Additions	Reductions	Ending Balance
Assets Held for Resale				
Vehicle	\$ 137,904	\$ 141,922	\$ 137,904	\$ 141,922
Total	<u>\$ 137,904</u>	<u>\$ 141,922</u>	<u>\$ 137,904</u>	<u>\$ 141,922</u>

**C. Other Debt**

**1. Hancock County Public Improvement Corporation Lease Revenue Bonds (Judicial Center Project), Series 2009**

Hancock County Fiscal Court issued Lease Revenue Bonds (Judicial Center Project), Series 2009 for \$11,625,000 for the purpose of acquiring, construction, and furnishing a new Judicial Center. The bonds require yearly principal payments due August 1 and interest payments due February 1 and August 1 with a variable interest rate. The bonds will mature on August 1, 2022. The bonds are secured by a foreclosable first mortgage lien on the project. In the event of the default the mortgage will be enforced. As of June 30, 2019, the principal balance was \$1,825,000. Future principal and interest requirements are:

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Other Debt (Continued)**

**1. Hancock County Public Improvement Corporation Lease Revenue Bonds (Judicial Center Project), Series 2009 (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 585,000	\$ 55,213
2021	610,000	34,300
2022	630,000	11,813
Totals	<u>\$ 1,825,000</u>	<u>\$ 101,326</u>

**2. Hancock County Public Improvement Corporation Lease Revenue Refunding Bond (Judicial Center Project), Series 2017**

On May 1, 2017 the Hancock County Fiscal Court entered into a \$5,585,199 Public Improvement Corporation Lease Revenue Bonds with J.P. Morgan Chase for the purpose of financing the costs of the refunding and refinancing the outstanding Hancock County Public Improvement Corporation Lease Revenue Bonds, Series 2009 dated August 12, 2009 for the Hancock County Judicial Center Project. Principal payments are due August 1 and the interest payments are due February 1 and August 1 with a 2.23% interest rate. The bonds will mature on August 1, 2028. The bonds are secured by a foreclosable first mortgage lien on the project. In the event of the default the mortgage will be enforced. As of June 30, 2019, the principal balance was \$5,585,119. Future Principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$	\$ 124,548
2021		124,548
2022	74,119	123,722
2023	735,616	114,693
2024	751,492	98,112
2025-2029	<u>4,023,892</u>	<u>228,405</u>
Totals	<u>\$ 5,585,119</u>	<u>\$ 814,028</u>

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 313,981	\$ 141,922	\$ 199,607	\$ 256,296	\$ 178,211
Revenue Bonds	7,980,119		570,000	7,410,119	585,000
Total Long-term Debt	<u>\$ 8,294,100</u>	<u>\$ 141,922</u>	<u>\$ 769,607</u>	<u>\$ 7,666,415</u>	<u>\$ 763,211</u>

**Note 6. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which 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.

The county's contribution for FY 2017 was \$427,380, FY 2018 was \$412,175, and FY 2019 was \$472,313

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 21.48 percent.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

**Note 7. Deferred Compensation**

During fiscal year 2003, the Hancock County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 201 High Street, 2<sup>nd</sup> Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 8. Health Reimbursement Account/Flexible Spending Account**

The Hancock County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides \$3,000 each year to go towards the employee's deductible. Employees must pay \$2,000 of their deductible first and once this has been done, they can request reimbursement up to \$3,000. In order to receive the reimbursement of \$3,000, the employee must provide the county treasurer with documentation that \$2,000 has been paid and sign a form requesting reimbursement

**Note 9. Insurance**

For the fiscal year ended June 30, 2019, the Hancock County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Landfill Closure and Post-Closure Costs**

The Hancock County Landfill was closed on June 20, 1995. The fiscal court must comply with established state and federal landfill closure and post-closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated final date for maintenance and monitoring is 2028. Estimated post-closure costs total \$166,950 as of June 30, 2019, or \$18,550 per year. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. It is anticipated that post-closure costs will be paid out of the general fund to the extent that funds are available with any excess costs being funded using long-term borrowings.

**Note 11. Payroll Revolving Account**

The change in the payroll revolving account of \$16,915, as of June 30, 2019, was added to the general fund cash balance for financial reporting purposes.

**Note 12. Conduit Debt**

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Hancock County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 13. Prior Period Adjustment**

Prior Year General Fund Ending Fund Balance	\$ 3,536,707
Adjustments:	
Rescuesquad - account omitted in prior year	55,252
EMT association - account omitted in prior year	98
Dive rescue team - account omitted in prior year	275
Voided checks	<u>965</u>
Beginning General Fund Balance Restated	<u>\$ 3,593,297</u>



**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

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**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,088,747	\$ 3,101,247	\$ 4,542,999	\$ 1,441,752
In Lieu Tax Payments	10,200	10,200	10,104	(96)
Excess Fees	70,366	70,366	168,342	97,976
Licenses and Permits	26,050	26,050	7,733	(18,317)
Intergovernmental	370,472	570,472	764,420	193,948
Charges for Services	254,218	254,218	221,318	(32,900)
Miscellaneous	318,330	330,330	438,086	107,756
Interest	1,600	1,600	11,022	9,422
Total Receipts	<u>4,139,983</u>	<u>4,364,483</u>	<u>6,164,024</u>	<u>1,799,541</u>
<b>DISBURSEMENTS</b>				
General Government	1,653,995	1,732,930	1,486,415	246,515
Protection to Persons and Property	1,073,691	1,175,576	1,115,310	60,266
General Health and Sanitation	207,375	209,381	165,040	44,341
Social Services	175,751	178,730	148,888	29,842
Recreation and Culture	409,438	927,856	860,491	67,365
Airports	10,000	110,244	110,244	
Capital Projects	25,000	25,000	1,250	23,750
Administration	2,201,578	2,120,709	1,458,018	662,691
Total Disbursements	<u>5,756,828</u>	<u>6,480,426</u>	<u>5,345,656</u>	<u>1,134,770</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,616,845)</u>	<u>(2,115,943)</u>	<u>818,368</u>	<u>2,934,311</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(789,689)</u>	<u>(789,689)</u>	<u>(741,252)</u>	<u>48,437</u>
Total Other Adjustments to Cash (Uses)	<u>(789,689)</u>	<u>(789,689)</u>	<u>(741,252)</u>	<u>48,437</u>
Net Change in Fund Balance	(2,406,534)	(2,905,632)	77,116	2,982,748
Fund Balance - Beginning (Restated)	<u>2,406,534</u>	<u>2,906,534</u>	<u>3,592,966</u>	<u>686,432</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 902</u>	<u>\$ 3,670,082</u>	<u>\$ 3,669,180</u>

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,134,775	\$ 1,145,775	\$ 1,031,255	\$ (114,520)
Miscellaneous	108,100	155,600	241,957	86,357
Interest	500	500	2,391	1,891
Total Receipts	<u>1,243,375</u>	<u>1,301,875</u>	<u>1,275,603</u>	<u>(26,272)</u>
<b>DISBURSEMENTS</b>				
Roads	1,545,268	1,689,768	1,490,378	199,390
Debt Service	170,045	172,311	169,384	2,927
Administration	465,251	376,985	186,697	190,288
Total Disbursements	<u>2,180,564</u>	<u>2,239,064</u>	<u>1,846,459</u>	<u>392,605</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(937,189)</u>	<u>(937,189)</u>	<u>(570,856)</u>	<u>366,333</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds	136,500	136,500	141,922	5,422
Transfers From Other Funds	618,689	618,689	520,000	(98,689)
Total Other Adjustments to Cash (Uses)	<u>755,189</u>	<u>755,189</u>	<u>661,922</u>	<u>(93,267)</u>
Net Change in Fund Balance	(182,000)	(182,000)	91,066	273,066
Fund Balance - Beginning	<u>182,000</u>	<u>182,000</u>	<u>103,559</u>	<u>(78,441)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 194,625</u>	<u>\$ 194,625</u>

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 84,300	\$ 84,300	\$ 81,983	\$ (2,317)
Charges for Services	13,500	13,500	14,063	563
Miscellaneous	1,000	1,000	214	(786)
Total Receipts	<u>98,800</u>	<u>98,800</u>	<u>96,260</u>	<u>(2,540)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	240,852	242,603	225,551	17,052
Administration	33,948	32,197	19,057	13,140
Total Disbursements	<u>274,800</u>	<u>274,800</u>	<u>244,608</u>	<u>30,192</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(176,000)</u>	<u>(176,000)</u>	<u>(148,348)</u>	<u>27,652</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	171,000	171,000	150,000	(21,000)
Total Other Adjustments to Cash (Uses)	<u>171,000</u>	<u>171,000</u>	<u>150,000</u>	<u>(21,000)</u>
Net Change in Fund Balance	(5,000)	(5,000)	1,652	6,652
Fund Balance - Beginning	<u>5,000</u>	<u>5,000</u>	<u>1,308</u>	<u>(3,692)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,960</u>	<u>\$ 2,960</u>

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 64,100	\$ 64,100	\$ 23,878	\$ (40,222)
Miscellaneous	100	100		(100)
Interest	500	500	1,574	1,074
Total Receipts	<u>64,700</u>	<u>64,700</u>	<u>25,452</u>	<u>(39,248)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	5,000	5,000	1,071	3,929
General Health and Sanitation	3,300	3,300	180	3,120
Social Services	21,950	21,950	11,400	10,550
Recreation and Culture	5,900	5,900	2,843	3,057
Roads	253,550	253,550	40,887	212,663
Total Disbursements	<u>289,700</u>	<u>289,700</u>	<u>56,381</u>	<u>233,319</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(225,000)</u>	<u>(225,000)</u>	<u>(30,929)</u>	<u>194,071</u>
Net Change in Fund Balance	(225,000)	(225,000)	(30,929)	194,071
Fund Balance - Beginning	<u>225,000</u>	<u>225,000</u>	<u>229,678</u>	<u>4,678</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 198,749</u>	<u>\$ 198,749</u>

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 294,299	\$ 294,299	\$ 287,010	\$ (7,289)
Total Receipts	<u>294,299</u>	<u>294,299</u>	<u>287,010</u>	<u>(7,289)</u>
<b>DISBURSEMENTS</b>				
Social Services	294,299	295,201	295,201	
Total Disbursements	<u>294,299</u>	<u>295,201</u>	<u>295,201</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(902)</u>	<u>(8,191)</u>	<u>(7,289)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			71,252	71,252
Total Other Adjustments to Cash (Uses)			<u>71,252</u>	<u>71,252</u>
Net Change in Fund Balance		(902)	63,061	63,963
Fund Balance - Beginning			<u>1,800</u>	<u>1,800</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (902)</u>	<u>\$ 64,861</u>	<u>\$ 65,763</u>

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>E911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 26,700	\$ 26,700	\$ 26,159	\$ (541)
Intergovernmental	90,000	90,000	114,158	24,158
Interest	300	300	2,576	2,276
Total Receipts	<u>117,000</u>	<u>117,000</u>	<u>142,893</u>	<u>25,893</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	134,000	152,352	147,663	4,689
Administration	333,000	353,148		353,148
Total Disbursements	<u>467,000</u>	<u>505,500</u>	<u>147,663</u>	<u>357,837</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(350,000)</u>	<u>(388,500)</u>	<u>(4,770)</u>	<u>383,730</u>
Net Change in Fund Balance	(350,000)	(388,500)	(4,770)	383,730
Fund Balance - Beginning	<u>350,000</u>	<u>388,500</u>	<u>427,640</u>	<u>39,140</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 422,870</u>	<u>\$ 422,870</u>



**HANCOCK COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2019**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the General Fund**

Other Adjustments to Cash (Uses)-Budgetary Basis	\$ (741,252)
To adjust for change in Payroll Revolving Account	<u>16,915</u>
Total Intergovernmental-Regulatory Basis	<u>\$ (724,337)</u>
Beginning Balance - Budgetary Basis	\$ 3,592,966
To adjust for Payroll Revolving Account	<u>331</u>
Total Beginning Balance (Restated) - Regulatory Basis	<u>\$ 3,593,297</u>
Ending Balance - Budgetary Basis	\$ 3,670,082
To adjust for Payroll Revolving Account	<u>17,246</u>
Total Ending Balance - Regulatory Basis	<u>\$ 3,687,328</u>

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**HANCOCK COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

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**HANCOCK COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land And Buildings	\$ 15,920,324	\$	\$	\$ 15,920,324
Vehicles and Equipment	3,459,203			3,459,203
Other Equipment	2,761,535			2,761,535
Infrastructure	5,735,866			5,735,866
Work In Progress	33,000			33,000
Total Capital Assets	<u>\$ 27,909,928</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 27,909,928</u>

**HANCOCK COUNTY**  
**NOTES TO OTHER INFORMATION - REGULATORY BASIS**  
**SCHEDULE OF CAPITAL ASSETS**

**June 30, 2019**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land and Buildings	\$ 10,000	10-40
Vehicles and Equipment	\$ 7,000	5-10
Other Equipment	\$ 5,000	5-10
Infrastructure	\$ 5,000	10-50

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

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Johnny W. Roberts, Jr., Hancock County Judge/Executive  
The Honorable Jack B. McCaslin, Former Hancock County Judge/Executive  
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 The Financial  
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, 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, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Hancock County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Hancock County Fiscal Court's financial statement and have issued our report thereon dated March 20, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Hancock County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Hancock County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hancock County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-003, 2019-004, and 2019-005 to be material weaknesses.



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

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002 to be significant deficiencies.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Hancock County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-003 and 2019-004.

**Views of Responsible Official and Planned Corrective Action**

Hancock County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

March 20, 2020

**HANCOCK COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2019**

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**HANCOCK COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2019**

FINANCIAL STATEMENT FINDINGS:

2019-001 The Hancock County Fiscal Court Did Not Properly Account For The Rescue Squad

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The Hancock County Fiscal Court failed to account for the activities of the rescue squad, which is under the direction of the EMA director and the county judge/executive. For fiscal year 2019, the rescue squad bank beginning balance was \$55,252, they collected receipts of \$16,044, disbursed \$12,759 and had an ending balance of \$58,537. Receipts of the rescue squad were not posted on a daily basis. Also, during testing of disbursements the following issues were noted:

- Twenty-nine out of 105 disbursements were not approved by the board meeting
- Eighteen out of 105 disbursements did not have supporting documentation
- Five out of 105 disbursements were paid finance charges

The lack of internal controls over the operations of the board exposes its assets to the risk of misappropriation. Additionally, failure to maintain minimum accounting records means the county was not in compliance with KRS 68.210. According to county personnel, the county was unsure of its responsibilities towards to the rescue squad due to the nature of its operations.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states the minimum requirements for handling public funds should include books of original entry for receipts and expenditures such as receipts and disbursements ledgers. In addition, good internal controls dictate that all funds handling financial obligations of the county be accounted for properly and reviewed on a regular basis.

We recommend the fiscal court require the rescue squad submit all revenues and remit all bills to the fiscal court in order for rescue squad activities to be properly included in the fiscal court's financial information. We also recommend the county implement internal controls over the rescue squad's operations in order to protect its assets from misappropriation.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This has been corrected as of 2/28/2020. The Hancock County Fiscal Court has taken control of the Rescue Squad's finances and all Rescue Squad activities will now be treated as an entity of the Hancock County Fiscal Court.*

2019-002 The Hancock County Fiscal Court Did Not Properly Account For The Dive Team Financial Activities

---

The Hancock County Fiscal Court failed to account for the activities of the dive team, which is under the direction of the EMA and county judge/executive. For the fiscal year 2019, the dive team bank beginning balance was \$275, collected receipts of \$385, disbursed \$291, and had an ending balance of \$369. Proper receipts and disbursements ledgers were not maintained by the dive team.

According to county personnel, the county was unsure of its responsibilities towards to the dive team due to the nature of its operations. This lack of internal controls over the operations of the board exposes its assets to the risk of misappropriation. Additionally, failure to maintain minimum accounting records means the county was not in compliance with KRS 68.210.

**HANCOCK COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2019**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Hancock County Fiscal Court Did Not Properly Account For The Dive Team Financial Activities (Continued)

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KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states the minimum requirements for handling public funds should include books of original entry for receipts and expenditures such as receipts and disbursements ledgers. In addition, good internal controls dictate that all funds handling financial obligations of the county be accounted for properly and reviewed on a regular basis.

We recommend the fiscal court require the dive team submit all revenues and remit all bills to the fiscal court in order for dive team activities to be properly included in the fiscal court's financial information. We also recommend the county implement internal controls over the dive team's operations in order to protect its assets from misappropriation.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We are currently looking into this matter.*

2019-003 The Hancock County Fiscal Court Failed To Properly Account For The Public Facilities Construction Corporation Fund

---

The treasurer failed to maintain any types of ledgers for the financial activity, or reconcile the accounts of the Public Facilities Construction Corporation Fund (PFCC). There was no financial statement prepared for the PFCC.

Failure to maintain proper records for these funds occurred due to lack of internal controls over bank accounts and a lack of understanding about the Public Facilities Construction Corporation Fund accounting requirements. The lack of accounting records and related financial statements resulted in non-compliance with the Department for Local Government reporting requirements. By not having adequate controls over bank accounts and reconciliations, the fiscal court cannot ensure that county funds are properly safeguarded and available for county use.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of account. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states the minimum requirements for handling public funds include monthly bank reconciliations and books of original entry for receipts and expenditures. In addition, good internal controls dictate that all funds handling financial obligations of the county be accounted for properly and reviewed on a regular basis. This would include receipts and disbursements ledgers, an accurate bank reconciliation, as well a financial statement for the PFCC fund.

We recommend the fiscal court prepare and maintain ledgers for receipts and disbursements of the PFCC Fund. We also recommend the fiscal court require the preparation of accurate year-end financial statements for the PFCC fund in order to ensure compliance with DLG requirements and also to ensure fiscal debt responsibilities will be met. We also recommend that a bank reconciliation be performed for all bank accounts owned or managed by the fiscal court. This reconciliation should include a comparison of ledger amounts recorded to the figures presented by the bank. We recommend that all bank reconciliations should be checked for accuracy and outstanding checks should be followed up on in a timely manner.

**HANCOCK COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2019**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The Hancock County Fiscal Court Failed To Properly Account For The Public Facilities Construction Corporation Fund (Continued)

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Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The County Treasurer is working on getting ALL bank statements and information sent to her directly so this can be resolved.*

2019-004 Debt Balances Do Not Agree To The Long-Term Liabilities On The 4th Quarter Report

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The Hancock County Fiscal Court's liabilities schedule presented to Department for Local Government (DLG) was materially misstated. The fiscal court did not report all debt of the county. Judicial Center Project Revenue Bonds, Series 2009 were overstated by \$6,705,119. Also, the Hancock County Lease Revenue Bonds, Series 2017 of \$5,585,119 were omitted from the liability schedule.

According to the county treasurer the long-term liabilities on the fourth quarter report are not being updated as the debt activity occurs.

By not accurately reporting debt, the county is not in compliance with KRS 68.210. In addition, the county is not providing a complete overview of their debt by overstating principal and interest.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Per the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, all county money is to be reported on the financial statement whether it is included in the budget or not. Documentation of the county's liabilities must be submitted to the State Local Finance Officer. Also, good internal controls dictates proper recording of transactions and financial reporting.

We recommend the county ensure all debt has been disclosed and the balances are accurate when reporting the county's liabilities on the fourth quarter report submitted to DLG.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This is due to the Treasurer not receiving the correct information to update some of the debt. Actions are being taken to correct this matter.*

2019-005 The Hancock County Fiscal Court Overstated Transfers For The General Fund

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The treasurer overstated transfers to the general fund by \$2,011,854 and transfers-out by \$2,061,152. Failure to properly account for transfers in and out on the financial statement will cause inaccurate financial statement reporting. Internal controls failed to catch these errors on the financial report, resulting in transfers in being overstated by \$2,011,854 and transfers out being overstated by \$2,061,152.

Good internal controls promote good business practices providing reasonable assurance that financial records and reports are accurate. The lack of effective internal controls increases the risk that errors and fraud are detected late or possibly remain undetected.

**HANCOCK COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2019**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-005 The Hancock County Fiscal Court Overstated Transfers For The General Fund (Continued)

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We recommend the county treasurer ensure all transfers are accounted for properly and fiscal court properly review of the reports for any errors.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This finding was 2-parts: 1<sup>st</sup> part - there were funds deposited into incorrect accounts by the state that had to be shown as "receipts" in those funds. When the issue was corrected with the State, the monies has to be moved to the CORRECT funds/accounts; so an interfund transfer was done to make the corrections. 2<sup>nd</sup> part was an error – it was done by an interfund transfer and should have been a cash transfer.*



**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**HANCOCK COUNTY FISCAL COURT**

**For The Year Ended June 30, 2019**

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2019

The Hancock County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "J. P. Roberts Jr.", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Melissa Johnson", written over a horizontal line.

County Treasurer