

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

**For The Year Ended  
June 30, 2020**



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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  
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, 2020, 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.

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



To the People of Kentucky  
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### **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, 2020, 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, 2020, 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.

### *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 (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.

The accompanying Budgetary Comparison Schedules are 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.

To the People of Kentucky  
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Members of the Hancock County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2021, 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:

- 2020-001 Debt Balances Do Not Agree To The Long-Term Liabilities On The Fourth Quarter Report
- 2020-002 The Hancock County Fiscal Court Does Not Have Internal Controls Over Disbursements
- 2020-003 The Hancock County Fiscal Court Does Not Have Adequate Controls Over The Bid Process

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

May 25, 2021

**HANCOCK COUNTY OFFICIALS****For The Year Ended June 30, 2020****Fiscal Court Members:**

Johnny W. Roberts, Jr.	County Judge/Executive
John M. Gray	Magistrate
James W. Hodskins	Magistrate
Kasey Emmick	Magistrate
L.T. Newton	Magistrate

**Other Elected Officials:**

Paul Madden, Jr.	County Attorney
Roger D. Estes	Jailer
Trina M. Ogle	County Clerk
Michael Boling	Circuit Court Clerk
Ralph D. Bozarth	Sheriff
Karen Keown 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, 2020**

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

**For The Year Ended June 30, 2020**

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 4,731,614	\$	\$
In Lieu Tax Payments	7,595		
Excess Fees	274,836		
Licenses and Permits	9,233		
Intergovernmental	531,953	1,497,987	81,236
Charges for Services	207,446		7,900
Miscellaneous	624,205	73,931	50
Interest	26,973	3,302	22
Total Receipts	<u>6,413,855</u>	<u>1,575,220</u>	<u>89,208</u>
<b>DISBURSEMENTS</b>			
General Government	1,516,116		
Protection to Persons and Property	1,390,543		220,527
General Health and Sanitation	169,541		
Social Services	148,610		
Recreation and Culture	577,974		
Roads		1,456,815	
Airports	21,608		
Debt Service		147,756	
Administration	1,608,306	195,305	20,828
Total Disbursements	<u>5,432,698</u>	<u>1,799,876</u>	<u>241,355</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>981,157</u>	<u>(224,656)</u>	<u>(152,147)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Financing Obligation Proceeds		144,922	
Changes to Payroll Revolving Account	(17,246)		
Transfers From Other Funds	62,961	375,000	154,000
Transfers To Other Funds	(548,316)		
Total Other Adjustments to Cash (Uses)	<u>(502,601)</u>	<u>519,922</u>	<u>154,000</u>
Net Change in Fund Balance	478,556	295,266	1,853
Fund Balance - Beginning (Restated)	<u>3,705,707</u>	<u>194,647</u>	<u>3,097</u>
Fund Balance - Ending	<u>\$ 4,184,263</u>	<u>\$ 489,913</u>	<u>\$ 4,950</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 4,188,172	\$ 489,913	\$ 4,998
Less: Outstanding Checks	<u>(3,909)</u>		<u>(48)</u>
Fund Balance - Ending	<u>\$ 4,184,263</u>	<u>\$ 489,913</u>	<u>\$ 4,950</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, 2020**  
**(Continued)**

<u>Budgeted Funds</u>			<u>Unbudgeted Fund</u>	
<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>E-911 Fund</u>	<u>Public Improvement Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$ 23,589	\$	\$ 4,755,203
				7,595
				274,836
				9,233
27,719		145,220	765,261	3,049,376
				215,346
				698,186
1,573		3,263	816	35,949
<u>29,292</u>		<u>172,072</u>	<u>766,077</u>	<u>9,045,724</u>
				1,516,116
1,071		155,366		1,767,507
				169,541
8,850	1,900			159,360
3,185				581,159
				1,456,815
				21,608
			764,761	912,517
				1,824,439
<u>13,106</u>	<u>1,900</u>	<u>155,366</u>	<u>764,761</u>	<u>8,409,062</u>
				16,186
	(1,900)	16,706	1,316	636,662
				144,922
				(17,246)
		19,316		611,277
	(62,961)			(611,277)
	(62,961)	19,316		127,676
16,186	(64,861)	36,022	1,316	764,338
198,749	64,861	428,995	63,906	4,659,962
<u>\$ 214,935</u>	<u>\$ 0</u>	<u>\$ 465,017</u>	<u>\$ 65,222</u>	<u>\$ 5,424,300</u>
\$ 214,935	\$	\$ 465,017	\$ 65,222	\$ 5,428,257
				(3,957)
<u>\$ 214,935</u>	<u>\$ 0</u>	<u>\$ 465,017</u>	<u>\$ 65,222</u>	<u>\$ 5,424,300</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

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**HANCOCK COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

**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, it is no longer a required component 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, 2020**  
**(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.

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

**Unbudgeted Fund**

Public Improvement 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 improvement 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, 2020**  
**(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 federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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, 2020**  
**(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 the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2020, 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 2020.

	General Fund	Federal Grants Fund	Total Transfers In
General Fund	\$	\$ 62,961	\$ 62,961
Road Fund	375,000		375,000
Jail Fund	154,000		154,000
E-911 Fund	19,316		19,316
Total Transfers Out	<u>\$ 548,316</u>	<u>\$ 62,961</u>	<u>\$ 611,277</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. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Ambulance - Financing Obligation**

The Hancock County Fiscal Court borrowed \$100,000 from the 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 ambulance. In the event of a default the ambulance will be repossessed by the financial institution. As of June 30, 2020, the principal balance was \$60,557. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 19,749	\$ 1,324
2022	20,184	890
2023	20,624	450
Totals	<u>\$ 60,557</u>	<u>\$ 2,664</u>



**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements**

**2. Fire Truck - Financing Obligation**

The 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 3, 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, 2020, the principal balance was \$17,591. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 17,591	\$ 727
Totals	\$ 17,591	\$ 727

**3. 2018 Truck Lease - Financing Obligation**

The 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. In the event of default the lessor has the right to terminate the lease term and give notice to vacate the property or recover lease payments which would otherwise have been payable, as well as exercise any other right, remedy or privilege which may be applicable law, subject to the limitation contained in the lease. As of June 30, 2020, the principal balance was \$0.

**4. 2019 Truck Lease - Financing Obligation**

The Hancock County Fiscal Court entered into a lease agreement between Kentucky Association of Counties Leasing Trust, as Administrator and JP Morgan Chase Bank as Lessor, to finance the purchase of a 2019 GU317 truck on October 30, 2019. The lease is for \$144,922 at a 3.99% interest rate. Interest payments are due by the 30th of each month for 18 months. In the event of default the lessor has the right to terminate the lease term and give notice to vacate the property or recover lease payments which would otherwise have been payable, as well as exercise any other right, remedy or privilege which may be applicable law, subject to the limitation contained in the lease. As of June 30, 2020, the principal balance was \$144,922. The future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 144,922	\$ 5,301
Totals	\$ 144,922	\$ 5,301

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. Assets Held For Resale**

	Beginning Balance	Additions	Reductions	Ending Balance
Assets Held For Resale				
Vehicle	\$ 141,922	\$ 144,922	\$ 141,922	\$ 144,922
Total	<u>\$ 141,922</u>	<u>\$ 144,922</u>	<u>\$ 141,922</u>	<u>\$ 144,922</u>

**C. Other Debt**

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

The 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, 2020, the principal balance was \$1,240,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 610,000	\$ 34,300
2022	<u>630,000</u>	<u>11,813</u>
Totals	<u>\$ 1,240,000</u>	<u>\$ 46,113</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, 2020, the principal balance was \$5,585,119. Future principal and interest requirements are:

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**C. Other Debt (Continued)**

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

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$	\$ 124,548
2022	74,120	123,722
2023	735,616	114,693
2024	751,492	98,112
2025	771,008	81,136
2026-2029	<u>3,252,883</u>	<u>147,269</u>
Totals	<u>\$ 5,585,119</u>	<u>\$ 689,480</u>

**D. Aggregate Debt Schedule**

The amounts of required principal and interest payments on long-term obligations at June 30, 2020, were as follows:

Fiscal Year Ended June 30	Revenue Bonds		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 610,000	\$ 158,848	\$ 182,262	\$ 7,351
2022	704,120	135,534	20,184	890
2023	735,616	114,693	20,624	451
2024	751,492	98,112		
2025-2029	4,023,891	228,406		
	<u>\$ 6,825,119</u>	<u>\$ 735,593</u>	<u>\$ 223,070</u>	<u>\$ 8,692</u>

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

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 256,296	\$ 144,922	\$ 178,148	\$ 223,070	\$ 182,262
Revenue Bonds	<u>7,410,119</u>		<u>585,000</u>	<u>6,825,119</u>	<u>610,000</u>
Total Long-term Debt	<u>\$ 7,666,415</u>	<u>\$ 144,922</u>	<u>\$ 763,148</u>	<u>\$ 7,048,189</u>	<u>\$ 792,262</u>

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 5. Tax Abatement**

The Hancock County Fiscal Court entered into a Tax Incentive Agreement with Century Aluminum of Kentucky on September 24, 2019. Simultaneous to the agreement, the county has also passed a resolution regarding the approval of the granting of local incentive to Century Aluminum pursuant KRS 154, Subchapter 32. According to county Resolution No. 10, Series 2019, the county has approved Century Aluminum of Kentucky to participate in the Kentucky Business Investment Program subject to satisfying the requirements set forth in and by the Tax Incentive Agreement and Kentucky Economic Development Finance Authority, including the payment to the county the amount due under occupational tax, the submission of a quarterly report detailing the number of employees the company employs, creating and maintaining the required full time jobs, investments and wages and employee benefits. In satisfying these obligations, the county agrees to contribute one percent (1%) of the local occupational tax pursuant to the provisions of KRS 154-32-090. In the event the Century Aluminum fails to pay the county the full amount owed pursuant to Occupational Tax without reduction for the one percent (1%) resolution incentive as agreed, they shall owe the full amount of occupational tax on demand. If payment is not made within 30 days, all costs and attorney fees, including fees for outside counsel, shall be owed by Century Aluminum and shall be included by a court of competent jurisdiction in the award of judgement against them. This agreement shall remain in effect so long as Century Aluminum receives benefits from the Kentucky Business Investment Program or otherwise agreed between parties.

**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 2018 was \$412,175, FY 2019 was \$472,313 and FY 2020 was \$562,111.

Nonhazardous

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.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

Nonhazardous (Continued)

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 24.06 percent.

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.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)

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.

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.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**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 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

**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 with 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, 2020, 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 \$140,200 as of June 30, 2020, or \$17,525 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.

**HANCOCK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 11. 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

**Note 12. Prior Period Adjustments**

Prior Year General Fund Ending Fund Balance	\$ 3,687,328
Adjustments:	
Voided checks	18,379
Beginning General Fund Balance Restated	<u>\$ 3,705,707</u>
Prior Year Road Fund Ending Fund Balance	\$ 194,625
Adjustments:	
Voided checks	22
Beginning Road Fund Balance Restated	<u>\$ 194,647</u>
Prior Year Jail Fund Ending Fund Balance	\$ 2,960
Adjustments:	
Voided checks	137
Beginning Jail Fund Balance Restated	<u>\$ 3,097</u>
Prior Year E-911 Fund Ending Fund Balance	\$ 422,870
Adjustments:	
Voided checks	6,125
Beginning E-911 Balance Restated	<u>\$ 428,995</u>



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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,649,247	\$ 3,649,247	\$ 4,731,614	\$ 1,082,367
In Lieu Tax Payments	10,200	10,200	7,595	(2,605)
Excess Fees	83,116	83,116	274,836	191,720
Licenses and Permits	7,300	7,300	9,233	1,933
Intergovernmental	241,340	241,340	531,953	290,613
Charges for Services	167,150	167,150	207,446	40,296
Miscellaneous	269,130	269,130	624,205	355,075
Interest	2,600	2,600	26,973	24,373
Total Receipts	<u>4,430,083</u>	<u>4,430,083</u>	<u>6,413,855</u>	<u>1,983,772</u>
<b>DISBURSEMENTS</b>				
General Government	1,716,469	1,776,705	1,516,116	260,589
Protection to Persons and Property	1,393,808	1,527,276	1,390,543	136,733
General Health and Sanitation	207,490	207,490	169,541	37,949
Social Services	178,178	178,216	148,610	29,606
Recreation and Culture	422,804	627,156	577,974	49,182
Airports	10,000	21,608	21,608	
Capital Projects	25,000	25,000		25,000
Administration	2,496,100	2,084,498	1,608,306	476,192
Total Disbursements	<u>6,449,849</u>	<u>6,447,949</u>	<u>5,432,698</u>	<u>1,015,251</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,019,766)</u>	<u>(2,017,866)</u>	<u>981,157</u>	<u>2,999,023</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			62,961	62,961
Transfers To Other Funds	<u>(863,000)</u>	<u>(863,000)</u>	<u>(548,316)</u>	<u>314,684</u>
Total Other Adjustments to Cash (Uses)	<u>(863,000)</u>	<u>(863,000)</u>	<u>(485,355)</u>	<u>377,645</u>
Net Change in Fund Balance	(2,882,766)	(2,880,866)	495,802	3,376,668
Fund Balance - Beginning (Restated)	<u>2,882,766</u>	<u>2,882,766</u>	<u>3,705,707</u>	<u>822,941</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,900</u>	<u>\$ 4,201,509</u>	<u>\$ 4,199,609</u>

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,467,011	\$ 1,467,011	\$ 1,497,987	\$ 30,976
Miscellaneous	111,600	111,600	73,931	(37,669)
Interest	750	750	3,302	2,552
Total Receipts	<u>1,579,361</u>	<u>1,579,361</u>	<u>1,575,220</u>	<u>(4,141)</u>
<b>DISBURSEMENTS</b>				
Roads	1,909,294	1,909,294	1,456,815	452,479
Debt Service	147,000	148,922	147,756	1,166
Administration	464,067	462,145	195,305	266,840
Total Disbursements	<u>2,520,361</u>	<u>2,520,361</u>	<u>1,799,876</u>	<u>720,485</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(941,000)</u>	<u>(941,000)</u>	<u>(224,656)</u>	<u>716,344</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	692,000	692,000	375,000	(317,000)
Governmental Leasing Act Receipts	145,000	145,000	144,922	(78)
Total Other Adjustments to Cash (Uses)	<u>837,000</u>	<u>837,000</u>	<u>519,922</u>	<u>(317,078)</u>
Net Change in Fund Balance	(104,000)	(104,000)	295,266	399,266
Fund Balance - Beginning (Restated)	104,000	104,000	194,647	90,647
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 489,913</u>	<u>\$ 489,913</u>

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 87,800	\$ 87,800	\$ 81,236	\$ (6,564)
Charges for Services	13,500	13,500	7,900	(5,600)
Miscellaneous	1,000	1,000	50	(950)
Interest			22	22
Total Receipts	<u>102,300</u>	<u>102,300</u>	<u>89,208</u>	<u>(13,092)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	236,978	249,208	220,527	28,681
Administration	39,322	27,092	20,828	6,264
Total Disbursements	<u>276,300</u>	<u>276,300</u>	<u>241,355</u>	<u>34,945</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(174,000)</u>	<u>(174,000)</u>	<u>(152,147)</u>	<u>21,853</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>171,000</u>	<u>171,000</u>	<u>154,000</u>	<u>(17,000)</u>
Total Other Adjustments to Cash (Uses)	<u>171,000</u>	<u>171,000</u>	<u>154,000</u>	<u>(17,000)</u>
Net Change in Fund Balance	(3,000)	(3,000)	1,853	4,853
Fund Balance - Beginning (Restated)	<u>3,000</u>	<u>3,000</u>	<u>3,097</u>	<u>97</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,950</u>	<u>\$ 4,950</u>

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 35,200	\$ 35,200	\$ 27,719	\$ (7,481)
Miscellaneous	100	100		(100)
Interest	500	500	1,573	1,073
Total Receipts	<u>35,800</u>	<u>35,800</u>	<u>29,292</u>	<u>(6,508)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	5,000	5,000	1,071	3,929
Social Services	25,250	26,700	8,850	17,850
Recreation and Culture	5,900	5,900	3,185	2,715
Roads	174,650	173,200		173,200
Total Disbursements	<u>210,800</u>	<u>210,800</u>	<u>13,106</u>	<u>197,694</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(175,000)</u>	<u>(175,000)</u>	<u>16,186</u>	<u>191,186</u>
Net Change in Fund Balance	(175,000)	(175,000)	16,186	191,186
Fund Balance - Beginning	<u>175,000</u>	<u>175,000</u>	<u>198,749</u>	<u>23,749</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 214,935</u>	<u>\$ 214,935</u>

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>DISBURSEMENTS</b>				
Social Services	\$	\$ 1,900	\$ 1,900	\$
Total Disbursements		1,900	1,900	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(1,900)	(1,900)	
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(62,961)	(62,961)
Total Other Adjustments to Cash (Uses)			(62,961)	(62,961)
Net Change in Fund Balance		(1,900)	(64,861)	(62,961)
Fund Balance - Beginning			64,861	64,861
Fund Balance - Ending	\$	\$ 0	\$ 0	\$ 1,900

**HANCOCK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>E-911 FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 25,500	\$ 25,500	\$ 23,589	\$ (1,911)
Intergovernmental	90,000	90,000	145,220	55,220
Interest	750	750	3,263	2,513
Total Receipts	<u>116,250</u>	<u>116,250</u>	<u>172,072</u>	<u>55,822</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	154,000	169,367	155,366	14,001
Administration	312,250	296,883		296,883
Total Disbursements	<u>466,250</u>	<u>466,250</u>	<u>155,366</u>	<u>310,884</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(350,000)</u>	<u>(350,000)</u>	<u>16,706</u>	<u>366,706</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			19,316	19,316
Total Other Adjustments to Cash (Uses)			<u>19,316</u>	<u>19,316</u>
Net Change in Fund Balance	(350,000)	(350,000)	36,022	386,022
Fund Balance - Beginning (Restated)	<u>350,000</u>	<u>350,000</u>	<u>428,995</u>	<u>78,995</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 465,017</u>	<u>\$ 465,017</u>



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

**June 30, 2020**

**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. General Fund Reconciliation**

Other Adjustments to Cash (Uses)	\$ (485,355)
To adjust for change in payroll revolving account	<u>(17,246)</u>
Total Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ (502,601)</u>
Fund Balance - Ending	\$ 4,201,509
To adjust for change in payroll revolving account	<u>(17,246)</u>
Total Ending Balance - Regulatory Basis	<u>\$ 4,184,263</u>

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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

The fiscal court reports the following Schedule of Capital Assets:

	Balance (*Restated)	Additions	Deletions	Ending Balance
Land & Buildings*	\$ 16,290,324	\$ 152,050	\$	\$ 16,442,374
Vehicles and Equipment*	3,492,085	567,137		4,059,222
Other Equipment*	2,756,860	366,434	14,855	3,108,439
Infrastructure*	6,191,124	549,146		6,740,270
 Total Capital Assets	 <u>\$ 28,730,393</u>	 <u>\$ 1,634,767</u>	 <u>\$ 14,855</u>	 <u>\$ 30,350,305</u>

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

**June 30, 2020**

**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.

	Capitalization Threshold	Useful Life (Years)
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

**Note 2. Restatement of Capital Assets Beginning Balance**

The Hancock County Fiscal Court's Capital Assets Schedule beginning balance differs from the prior year Capital Assets Schedule's ending balance. This is due to errors made in prior years.

	Prior Year Ending Balance	Current Year Beginning Balance	Difference
Land & Buildings	\$ 15,920,324	\$ 16,290,324	\$ 370,000
Vehicles and Equipment	3,459,203	3,492,085	32,882
Other Equipment	2,761,535	2,756,860	(4,675)
Infrastructure	5,735,866	6,191,124	455,258
Work In Progress	33,000		(33,000)
Total Capital Assets	<u>\$ 27,909,928</u>	<u>\$ 28,730,393</u>	<u>\$ 820,465</u>

**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  
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, 2020, 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 May 25, 2021.

**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) as a basis for designing 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 a certain deficiency in internal control that we consider to be a material weakness 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2020-001 to be a material weakness.



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 2020-002 and 2020-003 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 financial statement. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2020-001.

**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

May 25, 2021

**HANCOCK COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2020**

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**HANCOCK COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2020**

FINANCIAL STATEMENT FINDINGS:

2020-001 Debt Balances Do Not Agree To The Long-Term Liabilities On The Fourth Quarter Report

This is a repeat finding and was included in the prior year audit report as finding 2019-004. During fiscal year 2020, the Hancock County Fiscal Court did not properly account for the following debt activities:

- The Judicial Center Project Revenue Bond, Series 2009, is overstated by \$7,290,119 in principal and 1,253,070 in interest.
- The Hancock County Lease Revenue Bond, Series 2017, was not reported, resulting in an understatement of \$5,585,119 of principal and \$689,480 of interest.
- The 2019 Mack Truck Lease was understated by \$482 in interest.

These errors resulted in a total misstatement of \$1,705,000 in principal. According to the county treasurer, the debt liability schedule is misstated because the wrong schedule was submitted to the Department for Local Government (DLG).

Because debt amounts were not reported accurately, the county did not provide a complete overview of its debt. Therefore, the county is not in compliance with KRS 68.210.

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 dictate proper recording of transactions and financial reporting.

We recommend the Hancock County Fiscal Court ensure that all debt is properly disclosed and that debt balances are accurately reported on the fourth quarter report that is submitted to DLG.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The County Treasurer is working to rectify this oversight.*

2020-002 The Hancock County Fiscal Court Does Not Have Internal Controls Over Disbursements

The Hancock County Fiscal Court does not have adequate internal controls over disbursements and credit card disbursements. The following control deficiencies were noted:

- Two instances were noted in which supporting documentation for the transactions did not exist.
- Six disbursements were not properly recorded.
- Two transaction included the payment of sales tax, one included a service charge.
- Six invoices were not paid within 30 days.
- Twenty-seven disbursements were noted in which the purchase orders were not issued until after the expenses had been incurred.
- Four instances were noted in which a purchase order was not issued and approved.
- Two instances were noted in which the individual itemized receipts were not maintained to support the credit card invoices.

The fiscal court failed to establish appropriate internal controls over disbursements and credit card disbursements.

**HANCOCK COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2020**

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-002 The Hancock County Fiscal Court Does Not Have Internal Controls Over Disbursements  
(Continued)

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The fiscal court's failure to establish effective internal controls over disbursements resulted in the aforementioned findings. These control deficiencies could also result in line-items being over budget, disbursements being paid that are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets. By paying sales tax, the county is reducing funds for operating expenses. By failing to properly use the purchase order system, the fiscal court is at risk of overspending the budget for individual line items, and not being in compliance with the purchase order guidelines established by the Department for Local Government. Also, the county is not in compliance with state statutes.

Good internal controls dictate that the purchase order system be used correctly to ensure there is sufficient budgeted funds available for all purchases. In addition, KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds, including required purchasing procedures for counties. These requirements prescribe that appropriate supporting documentation be maintained for all operating disbursements.

We recommend the Hancock County Fiscal Court strengthen internal controls over disbursements by ensuring that sufficient supporting documentation is maintained for all disbursements. We also recommend that purchase orders be obtained prior to all purchases being made. We further recommend that disbursements be reviewed for unallowable charges such as late fees before approval and payment. Department heads should approve purchases only if there are sufficient appropriations available within the amount of line items in the fiscal court's budget. In addition, we recommend the fiscal court ensure that sales tax is not paid on disbursements.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Several of these were due to a timing issue and have been corrected. The others will be observed and corrected.*

2020-003 The Hancock County Fiscal Court Does Not Have Adequate Controls Over The Bid Process

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The Hancock County Fiscal Court lacks adequate controls over bidding procedures. The following control deficiencies were noted:

- The accepted bid price per unit of asphalt was \$77. However, the fiscal court paid \$78 per unit. Therefore, the paving company was overpaid \$5,454.
- The fiscal court did not properly accept the bid winner or maintain the state contract pricing list for a crew cab truck.
- The fiscal court did not follow proper bidding procedures for the purchase of a 4x4 truck.
- The fiscal court did not follow proper bidding procedures for the purchase of a 2019 ambulance.

According to county staff, the overpayment to the paving company was an oversight. Additionally, the bid winner for the crew cab truck was not properly accepted because the fiscal court was not aware that it needed to specify which bid was accepted. Also, the supporting documentation of the state contract price was misplaced.

**HANCOCK COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2020**

FINANCIAL STATEMENT FINDINGS: (Continued)

2020-003 The Hancock County Fiscal Court Does Not Have Adequate Controls Over The Bid Process  
(Continued)

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The fiscal court did not bid out the 4x4 truck because the purchase price of the vehicle was less than the bid threshold of \$30,000. County staff stated that the fiscal court was not aware that the additional equipment options for the vehicle needed to be included in the total purchase price when determining if the purchase amount exceeded the bid threshold. In regards to the 2019 ambulance, the fiscal court bid out a 2018 ambulance, and it was believed that the original bid included an option to purchase a second ambulance at the original bid price.

By not monitoring the bid specifications as the invoices came in, the county overpaid for asphalt. Additionally, because the fiscal court did not follow proper bidding procedures, properly accept a bid winner, or maintain bid documentation, it is possible the county did not get the lowest bid for the two trucks or the ambulance. Furthermore, the Hancock County Fiscal Court is not in compliance with KRS 424.260.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws and to keep good records of all bid transactions. KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids.” Also, according to the Hancock County Administration Code section 4.2 (C.), “[w]hen an expenditure exceeds \$30,000.00 in cost, the Judge/Executive and/or designee shall place an advertisement in the newspaper of largest circulation in the county at least once, not less than seven, nor more than twenty-one days, before bid opening.”

We recommend the Hancock County Fiscal Court ensure that bidding procedures are followed for all purchases that exceed \$30,000. We also recommend the fiscal court ensure the price paid for an item agrees to the bid specifications. We further recommend that all supporting documentation be maintained for the bid transaction.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Changes and procedures will be implemented to ensure the bidding procedures are correctly followed.*

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

**HANCOCK COUNTY FISCAL COURT**

**For The Year Ended June 30, 2020**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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.



County Judge/Executive



County Treasurer