

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

**For The Year Ended
June 30, 2024**



**ALLISON BALL
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
HANCOCK COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	12
BUDGETARY COMPARISON SCHEDULES.....	27
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	37
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	41
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
SCHEDULE OF CAPITAL ASSETS.....	45
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	46
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 <i>GOVERNMENT AUDITING STANDARDS</i>	49
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	59
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

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

Members of the Hancock County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

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, 2024, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Hancock County Fiscal Court, for the year ended June 30, 2024, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Hancock County Fiscal Court, for the year ended June 30, 2024, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Hancock County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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 and pervasive.

Responsibilities of Management for the Financial Statement

Hancock County Fiscal Court's management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hancock County Fiscal Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Hancock County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

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Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hancock County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary 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 and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 and Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2025, 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 solely 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 effectiveness of 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 Questioned Costs included herein, which discusses the following report findings:

- 2024-001 The Hancock County Fiscal Court Lacks Internal Controls Over Disbursements
- 2024-002 The Hancock County Fiscal Court Failed To Implement Sufficient Internal Controls Over Their Service Organization's Collection Of Ambulance Receipts
- 2024-003 The Hancock County Fiscal Court Failed To Implement Adequate Internal Controls Over Receipts

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

May 29, 2025

HANCOCK COUNTY OFFICIALS**For The Year Ended June 30, 2024****Fiscal Court Members:**

Johnny W. Roberts	County Judge/Executive
John M. Gray	Magistrate
Darrell Wall	Magistrate
Kasey Emmick	Magistrate
Gary Baker	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 Robertson	Property Valuation Administrator
David A. Gibson	Coroner

Appointed Personnel:

Melissa D. Johnson	County Treasurer
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HANCOCK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2024

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

For The Year Ended June 30, 2024

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 5,669,485	\$	\$
In Lieu Tax Payments	8,087		
Excess Fees	158,992		
Licenses and Permits	28,772		
Intergovernmental	657,350	1,210,809	78,586
Charges for Services	372,687		12,649
Miscellaneous	640,949	652,199	135
Interest	417,118	16,747	1,493
Total Receipts	<u>7,953,440</u>	<u>1,879,755</u>	<u>92,863</u>
DISBURSEMENTS			
General Government	2,256,587		
Protection to Persons and Property	1,783,214		221,728
General Health and Sanitation	187,488		
Social Services	224,156		
Recreation and Culture	789,665		
Roads		1,787,880	
Airports	12,186		
Debt Service		179,853	
Administration	1,736,329	225,942	26,692
Total Disbursements	<u>6,989,625</u>	<u>2,193,675</u>	<u>248,420</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>963,815</u>	<u>(313,920)</u>	<u>(155,557)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money	200,000	191,924	
Change in Payroll Revolving Account	(3,604)		
Transfers From Other Funds		150,000	175,000
Transfers To Other Funds	(1,351,122)		
Total Other Adjustments to Cash (Uses)	<u>(1,154,726)</u>	<u>341,924</u>	<u>175,000</u>
Net Change in Fund Balance	(190,911)	28,004	19,443
Fund Balance - Beginning	<u>8,206,038</u>	<u>197,099</u>	<u>25,391</u>
Fund Balance - Ending	<u>\$ 8,015,127</u>	<u>\$ 225,103</u>	<u>\$ 44,834</u>
Composition of Fund Balance			
Bank Balance	\$ 7,835,699	\$ 225,103	\$ 44,834
Payroll Revolving Account Reconciled Balance	200,015		
Less: Outstanding Checks	(20,587)		
Fund Balance - Ending	<u>\$ 8,015,127</u>	<u>\$ 225,103</u>	<u>\$ 44,834</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, 2024
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	Community Development Block Grants Fund	E-911 Fund	Clerk SB 135 Fund	Local Assistance And Tribal Consistency Fund	American Rescue Plan Act Fund	Opioid Settlement Fund
\$	\$	\$ 16,713	\$	\$	\$	\$
31,365	932,949	235,022		50,000	351,014	
10,993		35,087	15,390	5,031	25,850	48,098
42,358	932,949	286,822	15,390	55,031	376,864	48,209
1,071		257,301			978,427	
200						
8,450	980,642					
6,832						
					10	
16,553	980,642	257,301			978,437	
25,805	(47,693)	29,521	15,390	55,031	(601,573)	48,209
	130,000				896,122	
	130,000				896,122	
25,805	82,307	29,521	15,390	55,031	294,549	48,209
193,752	8	660,952	7,878	50,592	362,099	46,289
\$ 219,557	\$ 82,315	\$ 690,473	\$ 23,268	\$ 105,623	\$ 656,648	\$ 94,498
\$ 219,557	\$ 82,315	\$ 690,473	\$ 23,268	\$ 105,623	\$ 656,648	\$ 94,498
\$ 219,557	\$ 82,315	\$ 690,473	\$ 23,268	\$ 105,623	\$ 656,648	\$ 94,498

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, 2024
(Continued)

	<u>Unbudgeted Fund</u>	
	Public Improvement Corporation Fund	Total Funds
RECEIPTS		
Taxes	\$	\$ 5,686,198
In Lieu Tax Payments		8,087
Excess Fees		158,992
Licenses and Permits		28,772
Intergovernmental	849,604	4,396,699
Charges for Services		385,336
Miscellaneous		1,356,771
Interest		512,430
Total Receipts	<u>849,604</u>	<u>12,533,285</u>
DISBURSEMENTS		
General Government		2,256,587
Protection to Persons and Property		3,241,741
General Health and Sanitation		187,688
Social Services		1,213,248
Recreation and Culture		796,497
Roads		1,787,880
Airports		12,186
Debt Service	849,604	1,029,457
Administration		1,988,973
Total Disbursements	<u>849,604</u>	<u>12,514,257</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>19,028</u>
Other Adjustments to Cash (Uses)		
Borrowed Money		391,924
Change in Payroll Revolving Account		(3,604)
Transfers From Other Funds		1,351,122
Transfers To Other Funds		(1,351,122)
Total Other Adjustments to Cash (Uses)		<u>388,320</u>
Net Change in Fund Balance		407,348
Fund Balance - Beginning		<u>9,750,098</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 10,157,446</u>
Composition of Fund Balance		
Bank Balance	\$	\$ 9,978,018
Payroll Revolving Account Reconciled Balance		200,015
Less: Outstanding Checks		(20,587)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 10,157,446</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12
NOTE 2.	DEPOSITS	15
NOTE 3.	TRANSFERS.....	15
NOTE 4.	ASSETS HELD FOR RESALE	16
NOTE 5.	LEASES	16
NOTE 6.	LONG-TERM DEBT	16
NOTE 7.	LANDFILL CLOSURE AND POST-CLOSURE COSTS.....	19
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	19
NOTE 9.	DEFERRED COMPENSATION.....	22
NOTE 10.	HEALTH REIMBURSEMENT ACCOUNT	22
NOTE 11.	INSURANCE.....	22
NOTE 12.	CONDUIT DEBT.....	22
NOTE 13.	PAYROLL REVOLVING ACCOUNT	22
NOTE 14.	CONTINGENCIES	23

**HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2024

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 for and on behalf of, and as the agency and instrumentality of 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 no longer are required components of the reporting entity. An audit of the entity referenced above can be obtained from the Hancock County Fiscal Court: 225 Main Cross Street, Hawesville, Kentucky, 42348.

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, 2024
(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.

Community Development Block Grants Fund - The primary purpose of this fund is to account for the community development block grant receipts and disbursements.

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 911 telephone surcharge.

Clerk SB 135 Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with the preservation of records within the county clerk's recording department. The primary source of receipts of this fund is the county clerk's collection of storage fees.

Local Assistance and Tribal Consistency Fund - The primary purpose of this fund is to account for receipts and disbursements of the Local Assistance and Tribal Consistency fund. The primary sources of receipts for this fund are grants from the federal grant.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for activity related to the American Rescue Plan Act grant receipts and disbursements. The primary source of receipts for this fund are from the American Rescue Plan Act grant.

Opioid Settlement Fund - The primary purpose of this fund is to account for funds used to combat the county opioid crisis. Receipts of this fund are received from the state as a result of the state's agreement with major opioid manufacturer and distributors.

Unbudgeted Fund

The fiscal court reports the following 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.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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.

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).

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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's) *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.

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 DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2024, 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 2024.

	General Fund	Total Transfers In
Road Fund	\$ 150,000	\$ 150,000
Jail Fund	175,000	175,000
Community Development Block Grants Fund	130,000	130,000
American Rescue Plan Act Fund	896,122	896,122
Total Transfers Out	<u>\$ 1,351,122</u>	<u>\$ 1,351,122</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.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 4. Assets Held For Resale

	Beginning Balance	Additions	Reductions	Ending Balance
Asset Held For Resale	\$ 168,589	\$ 191,924	\$ 168,589	\$ 191,924
Total	<u>\$ 168,589</u>	<u>\$ 191,924</u>	<u>\$ 168,589</u>	<u>\$ 191,924</u>

Note 5. Leases

A. Lessor

1. Administrative Office of the Courts (AOC)

On July 1, 2023, Hancock County began leasing office space to the Administrative Office of the Courts (AOC). The lease is for one year and the county will receive quarterly payments of \$34,500. The Hancock County Fiscal Court recognized \$157,474 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, the Hancock County Fiscal Court's receivable for lease payments was \$0.

2. GNTT Holdings, LLC

On July 1, 2020, Hancock County began leasing road to GNTT Holdings, LLC for use as a primary route when transporting various materials to and from its mining, sand plant, C&D landfill, and beneficial reuse sites as well as other general uses. The Hancock County Fiscal Court receives \$0.25 per ton of material hauled for the first 250,000 annual tons. Any tons hauled excess of the 250,000 annual tons shall have a \$0.15 per ton rate applied. The lease is for one year, and in the event that no new agreement is executed by the parties upon the expiration of the one year, it shall renew automatically under the same terms for an additional one year. The Hancock County Fiscal Court recognized \$96,762 in revenue during the current fiscal year related to this lease.

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Ambulance

The Hancock County Fiscal Court borrowed \$200,000 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 five-year repayment schedule (final payment due December 15, 2028) with an interest rate of 3.17%. The note is secured by, but not limited to, the 2022 ambulance. In the event of a default, the bank has the right to repossess the ambulance. As of June 30, 2024, the principal balance was \$200,000. Future principal and interest requirements are:

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Ambulance (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 36,969	\$ 7,070
2026	38,870	5,168
2027	40,102	3,936
2028	41,374	2,665
2029	42,685	1,353
Totals	<u>\$ 200,000</u>	<u>\$ 20,192</u>

2. Mack Truck Lease

The Hancock County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust as lessee to finance the purchase of a Mack truck on September 30, 2022. The lease is for \$169,589 at a 3.74% 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 by law, subject to the limitation contained in the lease. As of June 30, 2024, the principal balance was \$0.

3. Mack Truck Lease

The Hancock County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust as lessee to finance the purchase of a Mack truck on September 21, 2023. The lease is for \$191,924 at a 6.49% 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 by law, subject to the limitation contained in the lease. As of June 30, 2024, the principal balance was \$191,924. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2025	\$ 191,924	\$ 8,304
Totals	<u>\$ 191,924</u>	<u>\$ 8,304</u>

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt

1. 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, 2024, the principal balance was \$4,023,799. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2025	\$ 771,009	\$ 81,135
2026	784,451	63,793
2027	802,142	46,102
2028	823,467	27,977
2029	842,730	9,514
Totals	<u>\$ 4,023,799</u>	<u>\$ 228,521</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 168,589	\$ 391,924	\$ 168,589	\$ 391,924	\$ 228,893
Other Debt	<u>4,775,293</u>		<u>751,494</u>	<u>4,023,799</u>	<u>771,009</u>
Total Long-term Debt	<u>\$ 4,943,882</u>	<u>\$ 391,924</u>	<u>\$ 920,083</u>	<u>\$ 4,415,723</u>	<u>\$ 999,902</u>

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2024, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 771,009	\$ 81,135	\$ 228,893	\$ 15,373
2026	784,451	63,793	38,870	5,168
2027	802,142	46,102	40,102	3,936
2028	823,467	27,977	41,374	2,665
2029	842,730	9,515	42,685	1,353
Totals	<u>\$ 4,023,799</u>	<u>\$ 228,522</u>	<u>\$ 391,924</u>	<u>\$ 28,495</u>

Note 7. Landfill Closure and Post-Closure Costs

The Hancock County Landfill was closed on June 20, 1995. The Hancock County Fiscal Court must comply with established state and federal 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 July 2028. Estimated post-closure care costs total \$66,100 as of June 30, 2024, or \$16,525 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.

Note 8. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). 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. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems (Ky. Ret. Sys.). The CERS nine-member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2022 was \$666,074, FY 2023 was \$674,712, and FY 2024 was \$638,726.

Nonhazardous

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

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

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% of their annual creditable compensation. Nonhazardous members also contribute 1% 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 CERS Board of Trustees 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% 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 23.34%.

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:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
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 \$10 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 78.5536.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

Once members reach a minimum vesting period of 15 years, they earn \$10 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%. 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% 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 78.5536. 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 Ky. Ret. Sys. 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%. 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, CERS 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.

Annual Financial Report and Proportionate Share Audit Report

KPPA 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 Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646. Some reports are also available online at <https://kyret.ky.gov>.

KPPA 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, 2024
(Continued)

Note 9. Deferred Compensation

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 10. Health Reimbursement Account

The Hancock County Fiscal Court established a health reimbursement account (HRA) 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 towards the employee's deductible. Employees must pay \$2,000 of their deductible first, and once this had been done, they can request reimbursement up to \$3,000. The balance of the plan as of June 30, 2024, is \$4,611.

Note 11. Insurance

For the fiscal year ended June 30, 2024, 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 12. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to 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. As of June 30, 2024, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 13. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2024, was added to the General Fund cash balance for financial reporting purposes.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 14. Contingencies

The county is involved in a lawsuit. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

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HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

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HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 4,698,447	\$ 4,719,432	\$ 5,669,485	\$ 950,053
In Lieu Tax Payments	7,600	7,600	8,087	487
Excess Fees	164,500	164,500	158,992	(5,508)
Licenses and Permits	15,500	20,540	28,772	8,232
Intergovernmental	534,726	694,525	657,350	(37,175)
Charges for Services	300,650	302,997	372,687	69,690
Miscellaneous	330,880	406,478	640,949	234,471
Interest	100,000	278,551	417,118	138,567
Total Receipts	6,152,303	6,594,623	7,953,440	1,358,817
DISBURSEMENTS				
General Government	2,207,087	2,412,043	2,256,587	155,456
Protection to Persons and Property	1,390,720	1,887,136	1,783,214	103,922
General Health and Sanitation	206,208	217,691	187,488	30,203
Social Services	229,980	255,602	224,156	31,446
Recreation and Culture	1,547,033	1,746,436	789,665	956,771
Airports	15,000	15,000	12,186	2,814
Capital Projects	25,000	25,000		25,000
Administration	2,927,900	5,934,759	1,736,329	4,198,430
Total Disbursements	8,548,928	12,493,667	6,989,625	5,504,042
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,396,625)	(5,899,044)	963,815	6,862,859
Other Adjustments to Cash (Uses)				
Borrowed Money		200,000	200,000	
Transfers To Other Funds	(2,303,375)	(2,303,375)	(1,351,122)	952,253
Total Other Adjustments to Cash (Uses)	(2,303,375)	(2,103,375)	(1,151,122)	952,253
Net Change in Fund Balance	(4,700,000)	(8,002,419)	(187,307)	7,815,112
Fund Balance - Beginning	4,700,000	8,002,419	8,206,038	203,619
Fund Balance - Ending	\$ 0	\$ 0	\$ 8,018,731	\$ 8,018,731

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,162,619	\$ 1,220,809	\$ 1,210,809	\$ (10,000)
Miscellaneous	255,100	621,769	652,199	30,430
Interest	6,000	8,978	16,747	7,769
Total Receipts	1,423,719	1,851,556	1,879,755	28,199
DISBURSEMENTS				
Roads	2,007,861	2,201,272	1,787,880	413,392
Debt Service	292,000	296,264	179,853	116,411
Administration	531,111	761,273	225,942	535,331
Total Disbursements	2,830,972	3,258,809	2,193,675	1,065,134
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,407,253)	(1,407,253)	(313,920)	1,093,333
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	145,000	145,000	191,924	46,924
Transfers From Other Funds	1,062,253	1,062,253	150,000	(912,253)
Total Other Adjustments to Cash (Uses)	1,207,253	1,207,253	341,924	(865,329)
Net Change in Fund Balance	(200,000)	(200,000)	28,004	228,004
Fund Balance - Beginning	200,000	200,000	197,099	(2,901)
Fund Balance - Ending	\$ 0	\$ 0	\$ 225,103	\$ 225,103

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 87,600	\$ 88,940	\$ 78,586	\$ (10,354)
Charges for Services	8,500	12,877	12,649	(228)
Miscellaneous	500	500	135	(365)
Interest	500	1,023	1,493	470
Total Receipts	97,100	103,340	92,863	(10,477)
DISBURSEMENTS				
Protection to Persons and Property	248,837	262,849	221,728	41,121
Administration	71,263	80,882	26,692	54,190
Total Disbursements	320,100	343,731	248,420	95,311
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(223,000)	(240,391)	(155,557)	84,834
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	215,000	215,000	175,000	(40,000)
Total Other Adjustments to Cash (Uses)	215,000	215,000	175,000	(40,000)
Net Change in Fund Balance	(8,000)	(25,391)	19,443	44,834
Fund Balance - Beginning	8,000	25,391	25,391	
Fund Balance - Ending	\$ 0	\$ 0	\$ 44,834	\$ 44,834

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 37,862	\$ 37,862	\$ 31,365	\$ (6,497)
Interest	2,500	7,192	10,993	3,801
Total Receipts	40,362	45,054	42,358	(2,696)
DISBURSEMENTS				
Protection to Persons and Property	2,000	2,000	1,071	929
General Health and Sanitation	2,300	2,300	200	2,100
Social Services	18,950	18,950	8,450	10,500
Recreation and Culture	5,800	9,648	6,832	2,816
Roads	131,312	205,908		205,908
Total Disbursements	160,362	238,806	16,553	222,253
Net Change in Fund Balance	(120,000)	(193,752)	25,805	219,557
Fund Balance - Beginning	120,000	193,752	193,752	
Fund Balance - Ending	\$ 0	\$ 0	\$ 219,557	\$ 219,557

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

COMMUNITY DEVELOPMENT BLOCK GRANTS FUND

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 932,949	\$ (67,051)
Total Receipts	1,000,000	1,000,000	932,949	(67,051)
DISBURSEMENTS				
Social Services	1,130,000	1,130,000	980,642	149,358
Total Disbursements	1,130,000	1,130,000	980,642	149,358
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(130,000)	(130,000)	(47,693)	82,307
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	130,000	130,000	130,000	
Total Other Adjustments to Cash (Uses)	130,000	130,000	130,000	
Net Change in Fund Balance			82,307	82,307
Fund Balance - Beginning			8	8
Fund Balance - Ending	\$ 0	\$ 0	\$ 82,315	\$ 82,315

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

E-911 FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 15,000	\$ 15,000	\$ 16,713	\$ 1,713
Intergovernmental	210,000	210,000	235,022	25,022
Interest	9,500	22,630	35,087	12,457
Total Receipts	234,500	247,630	286,822	39,192
DISBURSEMENTS				
Protection to Persons and Property	253,000	276,864	257,301	19,563
Administration	331,500	631,718		631,718
Total Disbursements	584,500	908,582	257,301	651,281
Net Change in Fund Balance	(350,000)	(660,952)	29,521	690,473
Fund Balance - Beginning	350,000	660,952	660,952	
Fund Balance - Ending	\$ 0	\$ 0	\$ 690,473	\$ 690,473

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

CLERK SB 135 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 15,390	\$ 390
Total Receipts	15,000	15,000	15,390	390
DISBURSEMENTS				
General Government	18,000	22,878		22,878
Total Disbursements	18,000	22,878		22,878
Net Change in Fund Balance	(3,000)	(7,878)	15,390	23,268
Fund Balance - Beginning	3,000	7,878	7,878	
Fund Balance - Ending	\$ 0	\$ 0	\$ 23,268	\$ 23,268

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 50,000	\$
Interest		3,198	5,031	1,833
Total Receipts	50,000	53,198	55,031	1,833
DISBURSEMENTS				
Administration	100,000	103,790		103,790
Total Disbursements	100,000	103,790		103,790
Net Change in Fund Balance	(50,000)	(50,592)	55,031	105,623
Fund Balance - Beginning	50,000	50,592	50,592	
Fund Balance - Ending	\$ 0	\$ 0	\$ 105,623	\$ 105,623

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 350,984	\$ 350,994	\$ 351,014	\$ 20
Interest	500	18,570	25,850	7,280
Total Receipts	351,484	369,564	376,864	7,300
DISBURSEMENTS				
Protection to Persons and Property	1,606,137	1,627,736	978,427	649,309
Administration		50	10	40
Total Disbursements	1,606,137	1,627,786	978,437	649,349
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,254,653)	(1,258,222)	(601,573)	656,649
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	896,122	896,122	896,122	
Total Other Adjustments to Cash (Uses)	896,122	896,122	896,122	
Net Change in Fund Balance	(358,531)	(362,100)	294,549	656,649
Fund Balance - Beginning	358,531	362,100	362,099	(1)
Fund Balance - Ending	\$ 0	\$ 0	\$ 656,648	\$ 656,648

HANCOCK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

OPIOID FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 8,000	\$ 8,000	\$ 48,098	\$ 40,098
Interest	200	200	111	(89)
Total Receipts	8,200	8,200	48,209	40,009
DISBURSEMENTS				
Administration	54,465	54,465		54,465
Total Disbursements	54,465	54,465		54,465
Net Change in Fund Balance	(46,265)	(46,265)	48,209	94,474
Fund Balance - Beginning	46,265	46,265	46,289	24
Fund Balance - Ending	\$ 0	\$ 0	\$ 94,498	\$ 94,498

HANCOCK COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2024

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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	\$ (1,151,122)
To adjust for change in payroll revolving account	<u>(3,604)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ (1,154,726)</u>
Fund Balance - Ending- Budgetary Basis	\$ 8,018,731
To adjust for balance of payroll revolving account	<u>(3,604)</u>
Total Fund Balance - Ending- Regulatory Basis	<u>\$ 8,015,127</u>

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HANCOCK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

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HANCOCK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$	\$ 88,009
Total U.S. Department of Treasury			<u>0</u>	<u>88,009</u>
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grants/State's Program	14.228	20-009	\$	\$ 932,949
Total U.S. Department of Housing and Urban Development			<u>0</u>	<u>932,949</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Emergency Management</i>				
Emergency Management Performance Grants	97.042	SC-095-2400000073	\$	\$ 12,529
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SC-095-2400000157		51,908
Total U.S. Department of Homeland Security			<u>0</u>	<u>64,437</u>
<u>U. S. Election Assistance Commission</u>				
<i>Passed-Through Kentucky Board of Elections</i>				
Help American Vote Act Requirements Payments	90.401	PON2-185-2400000591	\$	\$ 25,000
Total U.S. Election Assistance Commission			<u>0</u>	<u>25,000</u>
Total Expenditures of Federal Awards			<u>\$ 0</u>	<u>\$1,110,395</u>

The accompanying notes are an integral part of this schedule.

HANCOCK COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Hancock County, Kentucky under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hancock County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hancock County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Hancock County has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

HANCOCK COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

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HANCOCK COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Buildings	\$ 16,538,369	\$ 1,264,627	\$	\$ 17,802,996
Vehicles	4,402,293	359,062	279,331	4,482,024
Other Equipment	4,110,479	3,271,625	197,596	7,184,508
Infrastructure	8,936,726	629,011		9,565,737
 Total Capital Assets	 <u>\$ 33,987,867</u>	 <u>\$ 5,524,325</u>	 <u>\$ 476,927</u>	 <u>\$ 39,035,265</u>

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

June 30, 2024

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 Improvements	\$ 25,000	10-25
Buildings and Building Improvements	\$ 10,000	10-40
Machinery and Equipment	\$ 5,000	5-10
Vehicles	\$ 7,500	5-10
Infrastructure - Bridges	\$ 5,000	10-50
Infrastructure - Roads	\$ 10,000	10-25

**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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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

The Honorable Johnny W. Roberts, Hancock County Judge/Executive
Members of the Hancock County Fiscal Court

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, 2024, 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 29, 2025.

Report on 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Questioned Costs as items 2024-001, 2024-002, and 2024-003 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)

Report on 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 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 Questioned Costs as items 2024-001 and 2024-003.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Hancock County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

May 29, 2025

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance

Independent Auditor's Report

The Honorable Johnny W. Roberts, Hancock County Judge/Executive
Members of the Hancock County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hancock County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Hancock County Fiscal Court's major federal programs for the year ended June 30, 2024. The Hancock County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Hancock County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hancock County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hancock County Fiscal Court's compliance with the compliance requirements referred to above.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Hancock County Fiscal Court's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hancock County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hancock County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hancock County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hancock County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hancock County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

May 29, 2025

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HANCOCK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2024

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**HANCOCK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2024

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP:
Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

- Are any material weaknesses identified? ☒ Yes ☐ No
- Are any significant deficiencies identified? ☐ Yes ☒ None Reported

Are any noncompliances material to financial statements noted? ☒ Yes ☐ No

Federal Awards

Internal control over major programs:

- Are any material weaknesses identified? ☐ Yes ☒ No
- Are any significant deficiencies identified? ☐ Yes ☒ None Reported

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

Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and

Type B programs: \$750,000

Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

HANCOCK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section II: Financial Statement Findings

2024-001 The Hancock County Fiscal Court Lacks Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2023-001. The Hancock County Fiscal Court does not have adequate internal controls over disbursements. Auditors noted the following control deficiencies:

- Thirteen disbursements totaling \$3,502,756 had purchase orders issued after the expenses had already been incurred.
- One disbursement totaling \$83,953 was not properly advertised for bid.
- Encumbrances were not properly reported on the fourth quarter financial statement.

The fiscal court failed to establish appropriate internal controls over issuance of purchase orders. Also, the disbursement in question was not advertised for bid due to the use of a master agreement not approved on the Kentucky Office of Procurement Services master agreements listing. In addition, according to the county treasurer, purchase orders for expenditures made at year-end were dated July 1 due to issues in previous years when transitioning to a new fiscal year. A lack of internal controls over disbursements could result in inaccurate financial reporting, misappropriation of assets, cash flow problems, and claims being paid that are not valid obligations of the fiscal court. In addition, the fiscal court was not in compliance with procurement laws or their administrative code.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds, including required purchasing procedures for counties.

According to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*." Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." An effective purchase order system is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Moreover, implementation of strong internal controls over disbursements is necessary to prevent misappropriation of assets, cash flow problems, and claims being paid that are not valid obligations of the fiscal court.

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: (a) Materials; (b) Supplies except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than forty thousand dollars (\$40,000) without first making newspaper advertisement for bids."

HANCOCK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section II: Financial Statement Findings (Continued)

2024-001 The Hancock County Fiscal Court Lacks Internal Controls Over Disbursements (Continued)

Likewise, the Hancock County Fiscal Court's administrative code states, "[a]ny expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than forty thousand dollars (\$40,000) shall be subject to competitive bidding. (Adopted to follow state code)."

Furthermore, KRS 68.360(2) states, "[t]he county judge/executive shall within (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund."

We recommend the Hancock County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made. We also recommend the fiscal court implement internal controls to ensure all purchases of more than \$40,000 are properly procured. Additionally, we recommend the Hancock County Fiscal Court ensure that encumbrances are properly reported on the fourth quarter financial statement.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We will monitor this more closely.

2024-002 The Hancock County Fiscal Court Failed To Implement Sufficient Internal Controls Over Their Service Organization's Collection Of Ambulance Receipts

This is a repeat finding and was included in the prior year audit report as finding 2023-002. The fiscal court failed to oversee the ambulance billing service organization that handles all the billing and receipt collections for the Hancock County Ambulance Service. In the fiscal year ended June 30, 2024, the amount of ambulance receipts reported on the quarterly report was \$335,372. There was no documented review performed by the Hancock County EMA Director of the service organization's billing and collections to ensure all the Hancock County Ambulance Service runs and collections are accounted for properly.

According to the EMA director, he visually compares the service organization's claims to the county's internal documentation of billable runs conducted. However, no written reconciliations exist. Because of the lack of adequate internal controls over service organization activities, the ambulance billing receipts were left vulnerable to misappropriation and loss.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Documented reconciliations of ambulance runs are a basic internal control necessary to ensure the accuracy and reliability of financial reports.

HANCOCK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section II: Financial Statement Findings (Continued)

2024-002 The Hancock County Fiscal Court Failed To Implement Sufficient Internal Controls Over Their Service Organization's Collection Of Ambulance Receipts (Continued)

We recommend the Hancock County Fiscal Court implement internal controls to ensure that the Hancock County EMA Director performs and maintains documented reconciliations of ambulance runs to the monthly invoices received from the service organization so that the fiscal court receives proper compensation for services performed.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Due to the timing of this and the previous audit; a corrective action could not be implemented until the end of FY 2025.

2024-003 The Hancock County Fiscal Court Failed To Implement Adequate Controls Over Receipts

This is a repeat finding and was included in the prior year audit report as finding 2023-003. During fiscal year 2024, the Hancock County Fiscal Court had material weaknesses in internal controls and noncompliances over receipts. The following findings were noted regarding Hancock County Fiscal Court's receipts:

- Thirty-three of the 43 occupational tax returns tested totaling \$2,157,363 were not deposited daily. In addition, four net profit tax returns totaling \$18,343 were also not deposited daily.
- Receipts collected at the senior citizen center, animal shelter, and parks and recreation were not deposited daily.
- Pre-numbered receipts were not issued for monies collected at the senior citizens center for meal donations.

According to the occupational tax administrator, a limited number of staff and a high volume of tax returns received create delays in getting the tax returns processed. As a result, occupational tax and net profit tax collections are not deposited timely.

According to the county treasurer, decentralized locations such as the senior citizens center, animal shelter, and parks department are managed by persons other than the financial staff of the county. Collections from these off-site locations are not deposited daily due to the staff's availability to bring the collections to the treasurer's office. Additionally, pre-numbered receipts are not issued at the senior center for meals because it is not feasible for the drivers to write up a receipt to issue for donations made.

Because of the aforementioned findings, receipts were left vulnerable to misappropriation and loss. Also, the Hancock County Fiscal Court failed to issue and maintain required documentation as prescribed by state statutes.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Issuing pre-numbered receipts, performing daily checkout procedures, and making daily deposits are basic internal controls necessary to ensure the accuracy and reliability of financial reports. Furthermore, these controls are vital in ensuring that funds collected are not left vulnerable to misappropriation or loss.

HANCOCK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2024
(Continued)

Section II: Financial Statement Findings (Continued)

2024-003 The Hancock County Fiscal Court Failed To Implement Adequate Controls Over Receipts
 (Continued)

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires deposits to be made intact on a daily basis into a federally insured banking institution and performing daily check-out procedures.

KRS 64.840(1) states, in part, “all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid:

- (a) In cash;
- (b) By a party appearing in person to pay; or
- (c) By check, credit card, or debit card account received through the mail, if the party includes an addressed, postage-paid return envelope and a request for receipt.”

KRS 64.840(2) states, “[o]ne (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit.”

We make the following recommendations to the Hancock County Fiscal Court:

- Implement internal controls over receipts to ensure that all receipts are deposited daily.
- Pre-number receipts are issued for all transactions.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We are aware of this and will focus on making daily deposits when feasible. When not feasible, we will ensure that compensating controls are in place to secure receipts.

Section III: Federal Award Findings And Questioned Costs

None noted.

Section IV: Summary Schedule of Prior Audit Findings

Not applicable.

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

HANCOCK COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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, reading "Joseph W. Roberts Jr.", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, reading "William Johnson", written over a horizontal line.

County Treasurer