

**HANCOCK COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2022**

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## **Independent Auditor's Report**

Kentucky State Committee for School District Audits  
Hancock County School District  
Hawesville, Kentucky

### ***Report on the Audit of the Financial Statements***

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Hancock County School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock County School District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditors Contract. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hancock County School District, 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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are 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 School District'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 Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 generally accepted auditing standards 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 statements.

In performing an audit in accordance with generally accepted auditing standards 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 statements, 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 statements.
- 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 School District's internal control. Accordingly, no such opinion is expressed.
- 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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hancock County School District'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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, OPEB information and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hancock County School District's basic financial statements. The combining nonmajor fund financial statements and activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and notes to schedule of expenditures of federal awards are presented for purposes of additional analysis 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, and is also not a required part of the basic financial statements. Such information is the responsibility of management

and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, activity fund financial statements, the schedule of expenditures of federal awards and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the introductory section. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, 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.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2022, on our consideration of the Hancock County School District'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 Hancock County School District's 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 Hancock County School District's internal control over financial reporting and compliance.

**Alexander Thompson Arnold PLLC**

Owensboro, Kentucky

November 11, 2022

Re-issued January 11, 2023

**HANCOCK COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

# Hancock County Schools

83 State Route 3543, Hawesville, Kentucky 42348

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As management of the Hancock County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage our readers to consider information presented here in conjunction with additional information located within the body of the audit report.

### **Financial Highlights:**

- The beginning Governmental Fund balance for the District was \$6,134,916. The ending fund balance was \$7,527,617 which was an increase of \$1,392,701.
- The District is in sound financial condition as it has been able to withstand the financial pressures of a very tight state education budget over the past several years without impairing the educational programs or facilities maintenance requirements for the District.
- The District's current assets increased by \$1,617,712 during the year, while current liabilities increased by only \$81,065 resulting in a current ratio of 4.82:1, which is indicative of the District's solid financial position and operating efficiency.

### **Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private sector business.

- The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving.
- The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash transactions. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

**HANCOCK COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Both of these District wide statements are divided into two types of activities:

- *Governmental Activities* - The government wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. The fixed assets and related debt that are also supported by taxes and intergovernmental revenues are reported in this section.
- *Business-Type Activities* - These services are provided on a charge for goods and services basis to recover all of the expenses of the goods or services provided. The types of activities reported in this category are the food service operations, child care centers, and adult education courses. These activities are funded through fees charged and supported by federal grants and federal commodities used in the food service operations.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software system. The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds.

- *Governmental Funds* - Most of the School District's activities are reported in the governmental funds that include: general fund, special revenue (grants), capital outlay, building fund (FSPK), construction fund, District 21 fund, debt service fund, and student activity fund. These funds are reported using an accounting method referred to as modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The government fund statements provide a detailed short-term view of the School District's general government operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds is reconciled in the financial statements provided.
- *Proprietary Funds* - The proprietary funds include the food service, child care centers, and adult education programs found in the business type activity funds. These funds utilize the same basis of accounting as business type activities, therefore, the statements for the proprietary fund will correspond to the statement of net assets.
- *Notes to the financial statements* - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. These notes may better explain data found in the financial statements, or provide additional information not found in the financial statements provided



**HANCOCK COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets, which is outstanding at year end.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of those capital assets.

	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>Change</b>
Current assets	\$ 8,605,647	\$ 6,987,935	\$ 1,617,712
Capital or non-current assets	22,114,541	22,051,630	62,911
Deferred outflows	2,986,727	3,041,308	(54,581)
<b>Total Assets and Deferred Outflows</b>	<b>33,706,915</b>	<b>32,080,873</b>	<b>1,626,042</b>
Current liabilities	\$ 1,783,777	\$ 1,702,712	\$ 81,065
Non-current liabilities	22,221,302	26,162,057	(3,940,755)
Deferred Inflows	3,111,172	1,260,970	1,850,202
<b>Total Liabilities and Deferred Inflows</b>	<b>27,116,251</b>	<b>29,125,739</b>	<b>(2,009,488)</b>
Net investment in capital assets	10,512,861	9,223,180	1,289,681
Restricted	2,673,038	1,918,287	754,751
Unassigned	(6,595,235)	(8,186,333)	1,591,098
<b>Total Net Financial Position</b>	<b>\$ 6,590,664</b>	<b>\$ 2,955,134</b>	<b>\$ 3,635,530</b>

Total net assets and deferred outflows exceeded total liabilities and deferred inflows by \$6,590,664, increasing by \$3,635,530 from the prior year.

Current assets increased by \$1.6 million during the fiscal year and capital assets increased by \$62,911. Total expenditures for capital assets during the year were \$917,513, while depreciation of assets totaled \$835,439. The net decrease in the net pension liability and other post-employment benefits liabilities and payment of debt covenants resulted in a net decrease in long-term liabilities of \$3,940,755. All of these factors resulted in an increase in net position of \$3,635,530 for the year ended June 30, 2022.

The District's total government-wide revenues were \$26,115,394 and the total expenditures were \$22,479,864.

- State revenues and formula grants accounted for 58% of the total revenues while local taxes accounted for 36%.
- Expenditures totaled \$22,479,864, with \$16,775,993 or 75% of the total being expended towards student instruction and support.

**HANCOCK COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The following charts relate to the government-wide activities:

<b>Expenses</b>					
<b>FUNCTIONS/PROGRAMS</b>	<b>2022</b>		<b>2021</b>		<b>Variance</b>
<u>Governmental Activities:</u>					
Instruction	\$ 12,041,036	53%	\$ 11,712,198	54%	328,838
Student support	995,758	4%	890,607	4%	105,151
Instruction staff support	967,270	4%	1,139,655	5%	(172,385)
School administrative support	1,102,545	5%	1,065,359	5%	37,186
Business support	751,720	3%	673,475	3%	78,245
Other	1,305,690	6%	1,306,910	6%	(1,220)
Plant operation and maintenance	1,642,248	7%	1,436,554	7%	205,694
Student transportation	1,819,301	8%	1,347,180	6%	472,121
Depreciation	835,440	4%	864,562	4%	(29,122)
Food service	1,201,681	5%	1,327,683	6%	(126,002)
Total expenses	<u>\$ 22,662,689</u>		<u>\$ 21,764,183</u>		<u>898,506</u>

<b>Revenues</b>					
<b>FUNCTIONS/PROGRAMS</b>	<b>2022</b>		<b>2021</b>		<b>Variance</b>
<u>Governmental Activities:</u>					
Charges for services	\$ 4,000	0%	\$ 4,000	0%	\$ -
Operating Grants	6,924,434	28%	5,169,345	25%	1,755,089
Property tax	6,423,138	26%	6,324,116	31%	99,022
Motor vehicle tax	333,592	1%	296,644	1%	36,948
Utility tax	2,235,830	9%	1,520,267	7%	715,563
State and formula grants	7,632,286	31%	6,847,429	33%	784,857
Other local revenues	955,031	4%	469,745	2%	485,286
Other	387,147	2%	8,466	0%	378,681
Total Revenues	<u>24,895,458</u>		<u>20,640,012</u>		<u>4,255,446</u>

The most significant change for the FYE June 30, 2022 was the fact that school was in session for most of the year without being as effected by COVID-19. This is shown by the fact that Student Transportation expenses were up as well as operations and maintenance costs. State and federal grant revenue increased as well as a result of the effects of the pandemic lessening.

**HANCOCK COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Governmental Fund Highlights**

- Total General Fund revenues for the year were \$18.3 million, with \$9.7 million coming from state revenues, and the remaining \$8.6 million from local sources.
- Total General Fund Expenditures were \$17.6 million, with instruction costs being the largest area at \$10.1 million.
- The net excess of revenues over expenditures for all governmental funds was \$1.10 million. Other financing sources of \$291,340 brought the overall increase in governmental fund balance of \$1.39 million for the fiscal year ended.
- Special Revenue fund expenditures for the year were \$3.4 million. Two major sources of revenues for this fund were state grants totaling \$.61 million and federal grants totaling \$2.7 million.
- Construction Fund expenditures included \$408,162 for facilities acquisition and construction. These expenditures were funded by transfers.
- FSPK revenues totaled \$1.2 million with \$.91 million coming from property taxes and the remaining \$.30 million coming from state grants. There were no expenditures from this fund only transfers out in the total of \$739,477.
- In aggregate, the non-major funds of the district totaled \$1.70 million in revenue. The revenue for each fund is as follows: SEEK, \$151,503; Debt Service, \$860,927; District Activity, \$13,217; and Student Activity, \$675,372. \$1 million came from state sources in the SEEK and Debt Service Funds. Expenditures totaled \$2.16 million coming from the following sources: SEEK, \$0; Debt Service, \$1,600,404; District Activity, \$4,276; and Student Activity, \$551,201. The Debt Service Funds received transfers of \$739,477 bringing the total change in fund balance for non-major governmental funds to \$284,615
- Total ending fund balances as of June 30, 2022, were \$5.2 million in the General Fund and \$2.3 million in the other remaining governmental funds for a total of \$7.5 million.

**Commentary on General Fund Budgetary Comparisons**

- Actual revenues and expenditures both include \$5.3 million of on behalf payments. These represent payments for employee benefits paid at the state level on behalf of the Hancock County School District.
- Total general fund revenues in relation to budgeted amounts were \$7.2 million in excess of budgeted amounts. The major revenue line items exceeding amounts budgeted were property taxes from all sources and state revenues.
- Total expenditures were \$17.6 million, with expenditures in relation to budgeted amounts being \$3.0 million in excess of budgeted amounts. The budget included a contingency of \$.3 million with no expenditures, actual instruction expenditures were \$3.0 million more than budgeted, due to on-behalf expenditures made by the Commonwealth of Kentucky as the District does not budget these revenues or expenditures.

**HANCOCK COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Capital Assets:**

The following is a summary of capital asset activity for the year ended June 30, 2022:

	<b>Balance June 30, 2021</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2022</b>
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>				
Land	\$ 285,807	\$ -	\$ -	\$ 285,807
Land improvements	1,170,542	-	-	1,170,542
Building and improvements	32,347,794	30,647	-	32,378,441
Technology	2,448,071	518,936	-	2,967,007
Vehicles	2,506,321	126,738	-	2,633,059
General equipment	1,122,141	241,192	-	1,363,333
Construction in progress	-	-	-	-
<b>Totals at historical cost</b>	<b>39,880,676</b>	<b>917,513</b>	<b>-</b>	<b>40,798,189</b>
Land improvements	(972,099)	(39,567)	-	(1,011,666)
Building and improvements	(11,422,109)	(621,069)	-	(12,043,178)
Technology	(2,441,301)	(39,332)	-	(2,480,633)
Vehicles	(2,079,315)	(104,392)	-	(2,183,707)
General equipment	(953,727)	(31,079)	-	(984,806)
<b>Less: accumulated depreciation</b>	<b>(17,868,551)</b>	<b>(835,439)</b>	<b>-</b>	<b>(18,703,990)</b>
<b>Governmental activities, net</b>	<b>\$ 22,012,125</b>	<b>\$ 82,074</b>	<b>\$ -</b>	<b>\$ 22,094,199</b>
	<b>Balance June 30, 2021</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2022</b>
<b><u>BUSINESS TYPE ACTIVITIES:</u></b>				
Food service equipment	710,447	-	-	710,447
Community education equipment	8,596	-	-	8,596
<b>Totals at historical cost</b>	<b>719,043</b>	<b>-</b>	<b>-</b>	<b>719,043</b>
Food service equipment	(670,940)	(19,165)	-	(690,105)
Community education equipment	(8,596)	-	-	(8,596)
<b>Less: accumulated depreciation</b>	<b>(679,536)</b>	<b>(19,165)</b>	<b>-</b>	<b>(698,701)</b>
<b>Business type activities, net</b>	<b>\$ 39,507</b>	<b>\$ (19,165)</b>	<b>\$ -</b>	<b>\$ 20,342</b>

**Long-Term Debt Activity:**

The following is a summary of long-term debt activity for the year ended June 30, 2022:

	<b>Balance June 30, 2021</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2022</b>	<b>Due Within One Year</b>
School Building					
Revenue Bonds	\$ 12,860,000	\$ -	\$(1,225,000)	\$ 11,635,000	\$ 1,250,000
Deferred amounts:					
Discounts	(112,466)	-	6,950	(105,516)	-
Premiums	80,917	-	(8,721)	72,196	-
	(31,549)	-	(1,771)	(33,320)	-
Total governmental bonds payable	<b>\$ 12,828,451</b>	<b>\$ -</b>	<b>\$(1,226,771)</b>	<b>\$ 11,601,680</b>	<b>\$ 1,250,000</b>

**HANCOCK COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Future Budgetary Considerations**

In Kentucky, the public schools operate on a July 1<sup>st</sup> to June 30<sup>th</sup> fiscal year, other programs such as some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have at least a 2% contingency. The District adopted a budget for fiscal year 2022-23, with a \$306,573 or 2.0% contingency. However, current economic conditions are of concern. The local budget contingency includes reserved funds for state economic shortfalls which will be used, if necessary, to protect the current level of direct classroom instruction. The District intends to take a conservative approach to expenditures as it has in the previous years.

**District Challenges for the Future**

Hancock County School District's overall financial status remains in a safe financial position. The District is financially stable, but at risk due to continued, inadequate state funding. As with the current year, transportation costs for students is a significant financial concern now and in the future. State provided funds are being reduced while most components are increasing. The cost of diesel fuel has varied widely over the past four years and continues to be of concern in the future. The costs of bus purchases will continue to increase due to changes in EPA requirements and the need to continue to replace an aging fleet.

The Commonwealth of Kentucky's financial condition, due to a high inflation economy, will have a significant impact on the availability of funds allocated to public education. The school districts have already experienced reductions in funding and allocation of some expenses that were traditionally paid by the state. Since a large percentage of the District's funding is provided by the State sources, the financial outlook for public schools is dependent upon the State's financial condition and budgetary funds. The outlook for the future years is a major concern for the Board and management.

The financial instability in the state pension fund and the rising retirement/pension costs is a financial risk that is facing Hancock County Schools. No additional state funding has been appropriated to offset this rising cost. There is a need for the District to increase local funding to provide additional revenue to offset this mandated expense increase.

Several new programs have been initiated in the past few years that will continue to impact test scores in a positive manner. However, many of the programs, such as full day kindergarten, expanded pre-school programs, and instructional coaches are not funded by the State budget. The District will again be challenged to fund these important educational programs.

Technology continues to be a major focus as we continue towards our 1:1 initiative and the need to keep pace with an ever-changing technological society. The District Technology Plan will help guide the District's technology decisions. We currently have devices for all instructional staff as well as our third through twelfth grades. The plan objectives, expectations, indicators, targets, and action plans are reviewed and modified in order to accommodate technology changes and/or future funding challenges. This articulates our common vision and identifies strategies for the use of technology in developing critical thinking skills that are essential for academic and workplace success.

**HANCOCK COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Report Purpose and Contact Information**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors, with a general overview of the Hancock County School District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, these inquiries should be directed to:

Kara Eckles, Director of Finance  
Hancock County Schools  
83 State Route 3543  
Hawesville, Kentucky 42348  
Telephone: 270.927.6914 or Electronic Mail: [kara.eckles@hancock.kyschools.us](mailto:kara.eckles@hancock.kyschools.us)

**Hancock County School District**  
**Government-Wide Financial Statements – Statement of Net Position**  
**As of June 30, 2022**

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 5,871,902	\$ 617,531	\$ 6,489,433
Investments	1,353,368	-	1,353,368
Inventory	-	30,395	30,395
Accounts receivable:			
Taxes - current	732,451	-	732,451
<b>Total Current Assets</b>	<b>7,957,721</b>	<b>647,926</b>	<b>8,605,647</b>
<b>Noncurrent Assets:</b>			
Capital assets, net	22,094,199	20,342	22,114,541
<b>Total Assets</b>	<b>30,051,920</b>	<b>668,268</b>	<b>30,720,188</b>
<b>Deferred Outflows of Resources:</b>			
Deferred loss on defeasance of bonds	467,548	-	467,548
Deferred outflows related to retirement plans	2,439,379	79,800	2,519,179
<b>Total Deferred Outflows of Resources</b>	<b>2,906,927</b>	<b>79,800</b>	<b>2,986,727</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 32,958,847</b>	<b>\$ 748,068</b>	<b>\$ 33,706,915</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 278,379	\$ -	\$ 278,379
Unearned revenue	96,179	-	96,179
Current portion of bond obligations	1,250,000	-	1,250,000
Current portion of accrued sick leave	55,546	-	55,546
Interest payable	103,673	-	103,673
<b>Total Current Liabilities</b>	<b>1,783,777</b>	<b>-</b>	<b>1,783,777</b>
<b>Noncurrent Liabilities:</b>			
Noncurrent portion of bond obligations	10,351,680	-	10,351,680
Net pension liability	6,298,751	282,461	6,581,212
Other postemployment benefits liability	4,545,391	86,283	4,631,674
Noncurrent portion of accrued sick leave	656,736	-	656,736
<b>Total Noncurrent Liabilities</b>	<b>21,852,558</b>	<b>368,744</b>	<b>22,221,302</b>
<b>Total Liabilities</b>	<b>23,636,335</b>	<b>368,744</b>	<b>24,005,079</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to retirement plans	3,032,783	78,389	3,111,172
<b>Total Deferred Inflows of Resources</b>	<b>3,032,783</b>	<b>78,389</b>	<b>3,111,172</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 26,669,118</b>	<b>\$ 447,133</b>	<b>\$ 27,116,251</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 10,492,519	\$ 20,342	\$ 10,512,861
Restricted	2,673,038	-	2,673,038
Unrestricted	(6,875,828)	280,593	(6,595,235)
<b>Total Net Position</b>	<b>\$ 6,289,729</b>	<b>\$ 300,935</b>	<b>\$ 6,590,664</b>

The accompanying notes are an integral part of these financial statements.





**Hancock County School District  
Balance Sheet – Governmental Funds  
As of June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>FSPK Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS AND RESOURCES:</u></b>						
Cash and cash equivalents	\$ 3,511,561	\$ -	\$ 156,861	\$ 1,321,414	\$ 882,066	\$ 5,871,902
Investments	1,353,368	-	-	-	-	1,353,368
Accounts receivable:						
Taxes - current	190,739	541,712	-	-	-	732,451
Due from other funds	445,533	-	-	-	-	445,533
<b>Total Assets and Resources</b>	<b>\$ 5,501,201</b>	<b>\$ 541,712</b>	<b>\$ 156,861</b>	<b>\$ 1,321,414</b>	<b>\$ 882,066</b>	<b>\$ 8,403,254</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>						
<b><u>LIABILITIES:</u></b>						
Accounts payable	\$ 278,379	\$ -	\$ -	\$ -	\$ -	\$ 278,379
Due to other funds	-	445,533	-	-	-	445,533
Current portion of accumulated sick leave	55,546	-	-	-	-	55,546
Unearned revenue	-	96,179	-	-	-	96,179
<b>Total Liabilities</b>	<b>333,925</b>	<b>541,712</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>875,637</b>
<b><u>FUND BALANCES:</u></b>						
Restricted	312,697	-	156,861	1,321,414	882,066	2,673,038
Committed	769,576	-	-	-	-	769,576
Unassigned	4,085,003	-	-	-	-	4,085,003
<b>Total Fund Balances</b>	<b>5,167,276</b>	<b>-</b>	<b>156,861</b>	<b>1,321,414</b>	<b>882,066</b>	<b>7,527,617</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,501,201</b>	<b>\$ 541,712</b>	<b>\$ 156,861</b>	<b>\$ 1,321,414</b>	<b>\$ 882,066</b>	<b>\$ 8,403,254</b>

The accompanying notes are an integral part of these financial statements.

**Hancock County School District**  
**Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position**  
**As of June 30, 2022**

Total fund balance per fund financial statements \$ 7,527,617

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.

Gross capital assets	40,798,189	
Accumulated depreciation	<u>(18,703,990)</u>	22,094,199

Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position, as follows:

Deferred loss on refunding	467,548	
Net pension liability	(6,298,751)	
Other postemployment benefits liability	(4,545,391)	
Deferred outflows of resources related to retirement plans	2,439,379	
Deferred inflows of resources	(3,032,783)	
Long-term debt	(11,601,680)	
Long-term portion sick leave accrual	(656,736)	
Accrued interest expense	<u>(103,673)</u>	<u>(23,332,087)</u>

Net position for governmental activities \$ 6,289,729

The accompanying notes are an integral part of these financial statements.

**Hancock County School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds**  
**As of June 30, 2022**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Construction Fund</b>	<b>FSPK Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>						
From local sources:						
Taxes:						
Property	\$ 5,510,438	\$ -	\$ -	\$ 912,700	\$ -	\$ 6,423,138
Motor vehicle and watercraft	333,592	-	-	-	-	333,592
Utilities	2,235,830	-	-	-	-	2,235,830
Tuition and fees	4,000	-	-	-	-	4,000
Earnings on investments	106,248	-	-	-	-	106,248
Other local revenues	177,982	88,460	-	-	688,589	955,031
Intergovernmental - intermediate	47,018	-	-	-	-	47,018
Intergovernmental - state	9,862,841	505,152	-	296,914	1,012,430	11,677,337
Intergovernmental - indirect federal	-	2,777,208	-	-	-	2,777,208
Intergovernmental - direct federal	55,157	-	-	-	-	55,157
<b>Total Revenues</b>	<b>18,333,106</b>	<b>3,370,820</b>	<b>-</b>	<b>1,209,614</b>	<b>1,701,019</b>	<b>24,614,559</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Instruction	10,161,226	2,102,162	-	-	555,477	12,818,865
Support services:						
Student	875,287	120,471	-	-	-	995,758
Instruction staff	686,419	335,280	-	-	-	1,021,699
District administrative	674,929	-	-	-	-	674,929
School administrative	1,102,545	-	-	-	-	1,102,545
Business	706,914	44,806	-	-	-	751,720
Plant operation and maintenance	1,628,986	522,613	-	-	-	2,151,599
Student transportation	1,735,221	26,834	-	-	-	1,762,055
Food service	354	-	-	-	-	354
Day care	-	28,218	-	-	-	28,218
Facilities acquisition and construction	-	-	408,162	-	-	408,162
Community service activities	25,605	171,285	-	-	-	196,890
Debt service	-	-	-	-	1,600,404	1,600,404
<b>Total Expenditures</b>	<b>17,597,486</b>	<b>3,351,669</b>	<b>408,162</b>	<b>-</b>	<b>2,155,881</b>	<b>23,513,198</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>735,620</b>	<b>19,151</b>	<b>(408,162)</b>	<b>1,209,614</b>	<b>(454,862)</b>	<b>1,101,361</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	175,173	32,656	514,872	-	739,477	1,462,178
Transfers out	(547,528)	(51,807)	(106,710)	(739,477)	-	(1,445,522)
Disposal of assets	274,684	-	-	-	-	274,684
<b>Total Other Financing Sources (Uses)</b>	<b>(97,671)</b>	<b>(19,151)</b>	<b>408,162</b>	<b>(739,477)</b>	<b>739,477</b>	<b>291,340</b>
Change in fund balance	637,949	-	-	470,137	284,615	1,392,701
Fund Balance, Beginning of Year	4,529,327	-	156,861	851,277	597,451	6,134,916
Fund Balance, End of Year	<b>\$ 5,167,276</b>	<b>\$ -</b>	<b>\$ 156,861</b>	<b>\$ 1,321,414</b>	<b>\$ 882,066</b>	<b>\$ 7,527,617</b>

The accompanying notes are an integral part of these financial statements.

**Hancock County School District**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**to the Statement of Activities**  
**As of June 30, 2022**

Net change in total fund balances per fund financial statements \$ 1,392,701

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources but they are presented as assets in the statement of financial position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation expense	(835,440)	
Capital outlay	<u>917,513</u>	82,073

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.

Amortization of deferred loss on defeasance	(57,246)	
Bond principal payments	1,225,000	
Change in accrued interest payable	4,029	
Amortization of bond premiums and discounts	<u>1,771</u>	1,173,554

Change in noncurrent portion of accrued sick leave 54,429

Change in interest payable and other item -

Difference between actuarially determined pension and OPEB expenses and actual contributions to the pension and OPEB plans.

Actuarially determined pension expense	(1,160,453)	
Actuarially determined OPEB expense	(584,627)	
Actual pension and OPEB contributions	<u>2,522,908</u>	<u>777,828</u>

Change in net position \$ 3,480,585

The accompanying notes are an integral part of these financial statements.

**Hancock County School District**  
**Statement of Net Position-Proprietary Funds**  
**As of June 30, 2022**

	<b>Food Service Fund</b>	<b>Child Care Fund</b>	<b>Adult Education Fund</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 606,837	\$ 9,294	\$ 1,400	\$ 617,531
Inventory	30,395	-	-	30,395
Total Current Assets	<u>637,232</u>	<u>9,294</u>	<u>1,400</u>	<u>647,926</u>
<b>Noncurrent Assets:</b>				
Capital assets	710,445	-	8,596	719,041
Less: accumulated depreciation	(690,103)	-	(8,596)	(698,699)
Total Noncurrent Assets	<u>20,342</u>	<u>-</u>	<u>-</u>	<u>20,342</u>
Total Assets	<u>657,574</u>	<u>9,294</u>	<u>1,400</u>	<u>668,268</u>
<b>Deferred Outflows of Resources:</b>				
Deferred outflows related to retirement plans	69,530	10,270	-	79,800
Total Deferred Outflows of Resources	<u>69,530</u>	<u>10,270</u>	<u>-</u>	<u>79,800</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 727,104</u>	<u>\$ 19,564</u>	<u>\$ 1,400</u>	<u>\$ 748,068</u>
<b>LIABILITIES</b>				
<b>Noncurrent Liabilities:</b>				
Net pension liability	\$ 247,233	\$ 35,228	\$ -	\$ 282,461
Other postemployment benefits liability	77,056	9,227	-	86,283
Total Noncurrent Liabilities	<u>324,289</u>	<u>44,455</u>	<u>-</u>	<u>368,744</u>
<b>Total Liabilities</b>	<u>324,289</u>	<u>44,455</u>	<u>-</u>	<u>368,744</u>
<b>Deferred Inflows of Resources:</b>				
Deferred inflows related to retirement plans	72,062	6,327	-	78,389
Total Deferred Inflows of Resources	<u>72,062</u>	<u>6,327</u>	<u>-</u>	<u>78,389</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>\$ 396,351</u>	<u>\$ 50,782</u>	<u>\$ -</u>	<u>\$ 447,133</u>
<b>NET POSITION:</b>				
Investment in capital assets	20,342	-	-	20,342
Unrestricted	310,411	(31,218)	1,400	280,593
Net Position	<u>330,753</u>	<u>(31,218)</u>	<u>1,400</u>	<u>300,935</u>
Total Liabilities and Net Position	<u>\$ 727,104</u>	<u>\$ 19,564</u>	<u>\$ 1,400</u>	<u>\$ 748,068</u>

The accompanying notes are an integral part of these financial statements.

**Hancock County School District**  
**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds**  
**For the fiscal year ended June 30, 2022**

	<b>Food Service Fund</b>	<b>Child Care Fund</b>	<b>Adult Education Fund</b>	<b>Total</b>
<b><u>OPERATING REVENUES:</u></b>				
Lunchroom sales	\$ 90,966	\$ -	\$ -	\$ 90,966
Other operating revenues	15,776	33,304	-	49,080
Total Operating Revenues	<u>106,742</u>	<u>33,304</u>	<u>-</u>	<u>140,046</u>
<b><u>OPERATING EXPENSES:</u></b>				
Salaries and wages	421,550	18,962	-	440,512
Materials and supplies	760,964	-	-	760,964
Depreciation	19,167	-	-	19,167
Other operating expenses	-	16,682	50	16,732
Total Operating Expenses	<u>1,201,681</u>	<u>35,644</u>	<u>50</u>	<u>1,237,375</u>
Operating Profit (Loss)	<u>(1,094,939)</u>	<u>(2,340)</u>	<u>(50)</u>	<u>(1,097,329)</u>
<b><u>NON-OPERATING REVENUES:</u></b>				
Federal grants	1,170,273	-	-	1,170,273
Donated commodities	10,497	-	-	10,497
State grants	81,945	-	-	81,945
Interest income	6,215	-	-	6,215
Total Non-Operating Revenues	<u>1,268,930</u>	<u>-</u>	<u>-</u>	<u>1,268,930</u>
Income before transfers	173,991	(2,340)	(50)	171,601
<b><u>Transfers</u></b>				
Transfers out	<u>(16,656)</u>	<u>-</u>	<u>-</u>	<u>(16,656)</u>
Change in net position	157,335	(2,340)	(50)	154,945
Net position, beginning of year	<u>173,418</u>	<u>(28,878)</u>	<u>1,450</u>	<u>145,990</u>
Net position, end of year	<u>\$ 330,753</u>	<u>\$ (31,218)</u>	<u>\$ 1,400</u>	<u>\$ 300,935</u>

The accompanying notes are an integral part of these financial statements.

**Hancock County School District**  
**Statement of Cash Flows – Proprietary Funds**  
**For the fiscal year ended June 30, 2022**

	<u>Service Fund</u>	<u>Care Fund</u>	<u>Education Fund</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Cash receipts from:				
Lunchroom sales	\$ 90,966	\$ -	\$ -	\$ 90,966
Other activities	15,776	33,304	-	49,080
Cash payments for:				
Employees	(555,195)	(19,434)	-	(574,629)
Supplies	(636,042)	-	-	(636,042)
Other operating expenses	-	(16,682)	(50)	(16,732)
Net Cash Provided (Used) In Operating Activities	<u>(1,084,495)</u>	<u>(2,812)</u>	<u>(50)</u>	<u>(1,087,357)</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u></b>				
Transfers out	(16,656)	-	-	(16,656)
Cash received for operating grants	1,262,715	-	-	1,262,715
Net Cash Provided By Non-Capital Financing Activities	<u>1,246,059</u>	<u>-</u>	<u>-</u>	<u>1,246,059</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Interest income	6,215	-	-	6,215
Net Cash Provided In Capital Financing Activities	<u>6,215</u>	<u>-</u>	<u>-</u>	<u>6,215</u>
Net Increase (Decrease) In Cash And Cash Equivalents	167,779	(2,812)	(50)	164,917
Cash and Cash Equivalents, Beginning of Year	439,058	12,106	1,450	452,614
Cash and Cash Equivalents, End of Year	<u>\$ 606,837</u>	<u>\$ 9,294</u>	<u>\$ 1,400</u>	<u>\$ 617,531</u>

The accompanying notes are an integral part of these financial statements.

**Hancock County School District  
Statement of Cash Flows – Proprietary Funds, Continued  
For the fiscal year ended June 30, 2022**

	<u>Food Service Fund</u>	<u>Child Care Fund</u>	<u>Adult Education Fund</u>	<u>Total</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u></b>				
Operating income (loss)	\$ (1,094,939)	\$ (2,340)	\$ (50)	\$ (1,097,329)
<b><u>ADJUSTMENTS TO RECONCILE OPERATING INCOME/(LOSS) TO NET CASH PROVIDED IN OPERATING ACTIVITIES:</u></b>				
Net Pension and OPEB Related Items	(8,723)	(472)	-	(9,195)
Depreciation	19,167	-	-	19,167
Net Cash Provided (Used) In Operating Activities	<u>\$ (1,084,495)</u>	<u>\$ (2,812)</u>	<u>\$ (50)</u>	<u>\$ (1,087,357)</u>
<b><u>SCHEDULE OF NON-CASH FINANCING ACTIVITIES:</u></b>				
Donated commodities received from federal government	<u>\$ 10,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,497</u>

The accompanying notes are an integral part of these financial statements.



**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Hancock County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Hancock County School District (“District”). The District receives funding from Local, State, and Federal Government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal members.

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Hancock County Board of Education. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board itself such as band boosters, parent-teacher associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

**BASIS OF PRESENTATION**

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of business-type activities of the District and for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (CONTINUED)**

services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I) Government Fund Types

- A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards which is reported separately. This is a major fund of the District.
- C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2) The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the district.

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (CONTINUED)**

- 3) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the district.
- D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.
- E) The District 21 Revenue Fund is used to hold monies transferred from school activity funds to be spent for the purpose of allowable student activities.
- F) The Student Activities Fund accounts for activities of student groups such as donations and student fundraisers. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds. Project accounting is employed to maintain integrity for the various sources of funds.

**II) Proprietary Fund Types (Enterprise Funds)**

- A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program which is conducted in cooperation with the U. S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA.
- B) The Day Care Center Fund is used to account for all day care centers.
- C) The Adult Education Fund is used for adult education.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**BASIS OF ACCOUNTING**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF ACCOUNTING (CONTINUED)**

Non-exchange transaction, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental funds accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**PROPERTY TAXES**

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. Liens are levied after January 1<sup>st</sup> when the tax becomes delinquent.

The property tax rates assessed for the year ended June 30, 2022, to finance the General Fund operations were \$.635 per \$100 valuation for real property, \$.635 per \$100 valuation for business personal property and \$.40 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishing, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural artificial and mixed gas.

**CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CAPITAL ASSETS (CONTINUED)

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are reported at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Depreciation</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25 - 50 Years
Land improvements	20 Years
Technology equipment	5 Years
Vehicles	5 -10 Years
Audio-visual equipment	15 Years
Food service equipment	10 - 12 Years
Furniture and fixtures	7 Years
Rolling stock	15 Years
Other	10 Years

INTER-FUND BALANCES

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

ACCUMULATED UNPAID SICK LEAVE BENEFITS (CONTINUED)

For governmental fund financial statements the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis as per Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy all amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end dictated by law.

Each budget is prepared and controlled by the finance officer at the revenue and expenditure function/objective level. All budget appropriations lapse at year-end.

CASH AND CASH EQUIVALENTS-INVESTMENTS

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Certificate of deposits with a maturity in excess of 90 days are classified as investments. The District complies with KRS 66.480.

INVENTORIES

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements, inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The Food Service Fund uses the specific identification method.

PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

GASB STATEMENT NO. 87-*Lease Accounting*

The District has implemented this statement in the current year’s financial statements. The adoption of the pronouncement had no material impact on the financial statements.

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (CONTINUED)**

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**FUND BALANCES**

In accordance with Governmental Accounting Standards No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the District classifies fund balances as follows:

Non-spendable - Includes fund balance amounts which are not in spendable form or because of legal or contractual requirements.

Restricted - Includes fund balance amounts that are constrained for a specific purpose which are externally imposed by providers, such as creditors, or due to constitutional provisions or enabling legislation.

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority.

Assigned - Includes fund balance amounts that are to be used for a specific purpose that are neither considered to be restricted or committed, but rather assigned by the Deputy Superintendent of Finance or the Superintendent.

Unassigned - Includes positive fund balances within the General Fund which have not been classified in any of the above mentioned categories.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds, and then unassigned funds.

**STATEMENT OF NET POSITION**

Net position represents the difference between assets and liabilities. The District classifies its net position into the following three categories:

- Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets
- Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

STATEMENT OF NET POSITION (CONTINUED)

- Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

INTER-FUND ACTIVITIES

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund activities. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

PENSION BENEFITS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net positions of the Teachers' Retirement System of the Commonwealth of Kentucky (KTRS) and the County Employees' Retirement System (CERS), and additions to/deductions from KTRS and CERS' fiduciary net positions have been determined on the same basis as they are reported by KTRS and CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

**NOTE 2 – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District’s cash and cash equivalents was \$6,489,433. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less. This analysis includes the certificate of deposit classified as an investment (See Note 3).

Cash and cash equivalents consisted of the following as of June 30, 2022:

<b><u>Financial Institution:</u></b>	
First Financial Bank	\$ 7,842,801
<b><u>Allocation per Financial Statements:</u></b>	
Governmental Funds	\$ 7,225,270
Business Type Funds	<u>617,531</u>
Totals	<u><u>\$ 7,842,801</u></u>

**NOTE 3- INVESTMENTS**

The District categorizes its fair value measurements with the fair value hierarchy by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 assets are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments of the District consisted of the following as of June 30, 2022:

	June 30, 2022	Level 1	Level 2	Level 3
3% Certificate of Deposit issued September 2019 maturing September 2024	<u>\$ 1,353,368</u>	<u>\$ -</u>	<u>\$ 1,353,368</u>	<u>\$ -</u>

Interest Rate Risk- The District does not have a formal investment policy that limits investment maturities as a means of managing its fair value losses arising from exposure to increasing interest rates.

Credit Risk- Kentucky law limits the types of investments in which the District may invest funds. The District believes it is in compliance with Kentucky law.

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 3- INVESTMENTS, continued**

Concentration of Credit Risk- The District only invests excess funds in certificates of deposit which are fully secured by pledged collateral by its financial institution in the form of U.S Treasury or Agency securities.

Custodial Credit Risk- Custodial credit risk is the risk that in the event of the financial failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Certificates of deposit are secured by pledged collateral in the form of U.S. Treasury or Agency securities.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	<b>Balance</b>			<b>Balance</b>
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>	<b>June 30, 2021</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2022</b>
Land	\$ 285,807	\$ -	\$ -	\$ 285,807
Land improvements	1,170,542	-	-	1,170,542
Building and improvements	32,347,794	30,647	-	32,378,441
Technology	2,448,071	518,936	-	2,967,007
Vehicles	2,506,321	126,738	-	2,633,059
General equipment	1,122,141	241,192	-	1,363,333
Construction in progress	-	-	-	-
<b>Totals at historical cost</b>	<b>39,880,676</b>	<b>917,513</b>	<b>-</b>	<b>40,798,189</b>
Land improvements	(972,099)	(39,567)	-	(1,011,666)
Building and improvements	(11,422,109)	(621,069)	-	(12,043,178)
Technology	(2,441,301)	(39,332)	-	(2,480,633)
Vehicles	(2,079,315)	(104,392)	-	(2,183,707)
General equipment	(953,727)	(31,079)	-	(984,806)
<b>Less: accumulated depreciation</b>	<b>(17,868,551)</b>	<b>(835,439)</b>	<b>-</b>	<b>(18,703,990)</b>
<b>Governmental activities, net</b>	<b>\$ 22,012,125</b>	<b>\$ 82,074</b>	<b>\$ -</b>	<b>\$ 22,094,199</b>
	<b>Balance</b>			<b>Balance</b>
<b><u>BUSINESS TYPE ACTIVITIES:</u></b>	<b>June 30, 2021</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2022</b>
Food service equipment	710,447	-	-	710,447
Community education equipment	8,596	-	-	8,596
<b>Totals at historical cost</b>	<b>719,043</b>	<b>-</b>	<b>-</b>	<b>719,043</b>
Food service equipment	(670,940)	(19,165)	-	(690,105)
Community education equipment	(8,596)	-	-	(8,596)
<b>Less: accumulated depreciation</b>	<b>(679,536)</b>	<b>(19,165)</b>	<b>-</b>	<b>(698,701)</b>
<b>Business type activities, net</b>	<b>\$ 39,507</b>	<b>\$ (19,165)</b>	<b>\$ -</b>	<b>\$ 20,342</b>

Depreciation expenses were not allocated to governmental functions. It appears on the statement of activities as “unallocated.”

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 5- BONDED DEBT OBLIGATIONS**

The original amount of each issue, the issue date and interest rates are summarized below:

<b>Issue Date</b>	<b>Issue Name</b>	<b>Original Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
2011	Hancock CSD Revenue Bonds 2011	\$ 675,000	3.76%	2031
2012	Hancock CSD Refunding Revenue Bonds 2012R	\$ 8,010,000	0.75% - 2.00%	2024
2013	Hancock CSD Refunding Revenue Bonds 2013R	\$ 975,000	0.70%	2019
2014	Hancock CSD Refunding Revenue Bonds 2014	\$ 480,000	0.55% - 4.00%	2034
2015	Hancock CSD Revenue Bonds 2015	\$ 1,235,000	2.10% - 3.35%	2035
2016	Hancock CSD Refunding Revenue Bonds 2016	\$ 4,415,000	0.55% - 3.00%	2029
2018	Hancock CSD School Building Revenue Bonds 2018	\$ 5,090,000	1.75% - 3.70%	2038

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Hancock County Board of Education Finance Corporation to construct school facilities. The District has an option to purchase the property at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table on the follow page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The District's outstanding bond from direct borrowings related to governmental activities contain a provision that in an event of default, outstanding amounts become due immediately in the event the District is unable to make payments.

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 5 – BONDED DEBT OBLIGATIONS (CONTINUED)**

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming they are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2022, for debt service (principal and interest) are as follows:

Fiscal Year	Hancock County School District		Kentucky School Facility Construction Commission		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022-23	\$ 512,057	\$ 225,078	\$ 737,943	\$ 123,983	\$ 1,250,000	\$ 349,061
2023-24	524,595	213,359	755,405	105,523	1,280,000	318,882
2024-25	550,254	196,821	284,746	87,193	835,000	284,014
2025-26	562,411	183,016	292,589	79,350	855,000	262,366
2026-27	572,886	165,786	302,114	69,825	875,000	235,611
2027-28	594,908	148,269	290,092	60,412	885,000	208,681
2028-29	453,097	132,549	216,903	52,262	670,000	184,811
2029-30	475,817	118,429	224,183	44,981	700,000	163,410
2030-31	302,245	106,382	202,755	37,662	505,000	144,044
2031-32	312,570	96,580	162,430	30,629	475,000	127,209
2032-33	323,985	86,236	166,015	25,029	490,000	111,265
2033-34	342,374	74,980	172,626	19,354	515,000	94,334
2034-35	350,230	62,859	144,770	13,172	495,000	76,031
2035-36	368,440	50,052	61,560	8,283	430,000	58,335
2036-37	379,993	36,487	65,007	5,989	445,000	42,476
2037-38	389,739	22,389	70,261	3,511	460,000	25,900
2038-39	410,246	7,590	59,754	1,105.00	470,000	8,695
<b>Totals</b>	<b>\$ 7,425,847</b>	<b>\$ 1,926,862</b>	<b>\$ 4,209,153</b>	<b>\$ 768,263</b>	<b>\$ 11,635,000</b>	<b>\$ 2,695,125</b>

A summary of changes in long-term debt during the fiscal year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
School Building Revenue Bonds	\$ 12,860,000	\$ -	\$(1,225,000)	\$ 11,635,000	\$ 1,250,000
Deferred amounts:					
Discounts	(112,466)	-	6,950	(105,516)	-
Premiums	80,917	-	(8,721)	72,196	-
	<u>(31,549)</u>	<u>-</u>	<u>(1,771)</u>	<u>(33,320)</u>	<u>-</u>
Total governmental bonds payable	<u>\$ 12,828,451</u>	<u>\$ -</u>	<u>\$(1,226,771)</u>	<u>\$ 11,601,680</u>	<u>\$ 1,250,000</u>

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 6 – ACCRUED SICK LEAVE**

In accordance with generally accepted governmental accounting principles, the District has recorded accrued sick leave as a liability in the District-wide statement of net position since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. Compensated absences are generally liquidated by the General Fund.

A summary of the changes in accumulated sick leave benefits during the fiscal year ended June 30, 2022 is as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Accrued Sick Leave	\$ 769,576	\$ 110,290	(167,584)	\$ 712,282	\$ 55,546

**NOTE 7 – FUND BALANCES**

The following is a summary of fund balances as of June 30, 2022:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Student Activity Fund</u>	<u>District 21 Activity Fund</u>	<u>Totals</u>
<b><u>RESTRICTED:</u></b>								
Construction	\$ 312,697	\$ -	\$ 156,861	\$ 1,321,414	\$ 427,428	\$ -	\$ -	\$ 2,218,400
Student activities	-	-	-	-	-	417,622	37,016	454,638
<b>Total Restricted</b>	<b>312,697</b>	<b>-</b>	<b>156,861</b>	<b>1,321,414</b>	<b>427,428</b>	<b>417,622</b>	<b>37,016</b>	<b>2,673,038</b>
<b><u>COMMITTED:</u></b>								
Sick leave	769,576	-	-	-	-	-	-	769,576
<b><u>UNASSIGNED:</u></b>	<b>4,085,003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,085,003</b>
<b>Total Fund Balances</b>	<b>\$ 5,167,276</b>	<b>\$ -</b>	<b>\$ 156,861</b>	<b>\$ 1,321,414</b>	<b>\$ 427,428</b>	<b>\$ 417,622</b>	<b>\$ 37,016</b>	<b>\$ 7,527,617</b>

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS**

**Teachers' Retirement System of the Commonwealth of Kentucky**

**General Information about the Pension Plan**

*Plan description:* Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the Commonwealth of Kentucky (TRS), a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://ktrs.ky.gov>.

*Benefits provided:* For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, member become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 55 and complete five years of Kentucky service, or
2. Complete 27 years of Kentucky service

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to 2 percent (service prior to July 1, 1983) and 2.5 percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members, (including second retirement accounts) after July 1, 2002 receive monthly benefits equal to 2 percent of the final average salary for each year of service if, upon retirement, their total service is less than ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5 percent to 3.0 percent to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member's five highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three highest annual salaries to compute their final average salary. TRS also provides disability for vested members at the rate of 60 percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are 1.5 percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**Pension Plan (continued)**

*Contributions:* Contribution rates are established by Kentucky Revised Statutes (KRS). Members are required to contribute 12.855 percent of their salaries to TRS. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105 percent of salary for those who joined before July 1, 2008 and 14.105 percent for those who joined thereafter. For employees whose salaries are federally funded, the employer contributes 16.105 percent of salary. If an employee leaves covered employment before accumulating five years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the District did not report a liability for the District's proportionate share of the collective net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District.

The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>29,998,251</u>
Total		<u><u>\$ 29,998,251</u></u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using standard actuarial techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.00 percent, which was unchanged from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$2,394,557 and revenue of \$2,394,557 for support provided by the State.

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**Pension Plan (continued)**

*Actuarial assumptions:* The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50 percent
Salary increases, including inflation	3.00 – 7.50 percent
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10 percent
Municipal Bond Index Rate:	
Prior Measurement Date	2.19 percent
Measurement Date	2.13 percent
Year FNP is projected to be depleted	n/a
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation:	
Prior Measurement Date	7.50 percent
Measurement Date	7.10 percent
Post-Retirement Benefit Increases	1.50 percent annually

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, and provided by TRS's investment consultant, are summarized in the following table.



**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**Pension Plan (continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap U.S. Equity	37.40%	4.20%
Small Cap U.S. Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	(0.10)%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	2.00%	(0.30)%
<b>Total</b>	<b>100.00%</b>	

*Discount rate:* The discount rate used to measure the total pension liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67 and assumed that member contributions will be made at the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

**General Information about the OPEB Plans**

*Plan description:* Teaching-certified employees of the District are provided other postemployment benefits (OPEB) through the Teachers' Retirement System of the Commonwealth of Kentucky (TRS), a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://ktrs.ky.gov>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS OPEB plans:

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**General Information about the OPEB Plans (continued)**

**Medical Insurance Plan**

*Plan description:* In addition to the pension benefits describe above, Kentucky Revised Statute 161.175 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance, and the General Assembly.

*Benefits provided:* To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Contributions:* In order to fund the post-retirement healthcare benefit, 7.50 percent of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and 0.75 percent from State appropriation and 3.00 percent from the employer. The State contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, premiums collected from retirees as described in the plan description and investment interest help to meet the medical expenses of the plan. The District's contributions to TRS for the year ended June 30, 2022 were \$237,806.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2022, the District reported a liability of \$2,656,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using standard actuarial techniques. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.123779 percent, which was a decrease of 0.002910 percent from its proportion measured as of June 30, 2020.

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**Medical Insurance Plan (continued)**

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability		\$ 2,656,000
State's proportionate share of the net OPEB liability associated with the District		<u>2,157,000</u>
Total		<u>\$ 4,813,000</u>

For the year ended June 30, 2022, the District recognized negative OPEB expense of \$(135,049) and revenue of \$178,431 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 871,000
Changes of assumptions	384,000	-
Net difference between projected and actual investment earnings on pension plan investments	-	156,000
Changes in proportion and differences between District contributions and proportional share of contributions	20,000	91,000
District contributions subsequent to the measurement date	<u>237,806</u>	<u>-</u>
Total	<u>\$ 641,806</u>	<u>\$ 1,118,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**Medical Insurance Plan (continued)**

<u>Year ended June 30:</u>	<u>Amount</u>
2023	\$ (177,000)
2024	(178,000)
2025	(167,000)
2026	(149,000)
2027	(43,000)
Thereafter	-

*Actuarial assumptions:* The total OPEB liability in the June 30, 2020 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases	3.00% - 7.50%, including wage inflation
Long-term Investment Rate of Return	7.10%, net of investment expense, including inflation
Healthcare Trend Rates	
Pre-65	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031
Post-65	5.00% for FYE 2022* decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare Part B Premiums	4.40% for FYE 2021 with an ultimate rate of 4.50% by 2034

\*Based on known expected increase in Medicare-eligible cost in the year following the valuation date, an increase rate of 20.00% was used for FYE 2021.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies of the System, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2020 valuation of the Medical Insurance Plan were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The health care cost trend assumption was updated for the June 30, 2020 valuation and was shown as an assumption change in the total OPEB liability roll forward, while the change in initial per capital claims costs were included with experience in the total OPEB roll forward.

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8– RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**Medical Insurance Plan (continued)**

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each asset class, as provided by TRS's investment consultant, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Global Equity	58.00%	5.10%
Fixed Income	9.00%	(0.10)%
Real Estate	6.50%	4.00%
Private Equity	8.50%	6.90%
Additional Category: High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.20%
Cash (LIBOR)	1.00%	(0.30)%
<b>Total</b>	<b>100.00%</b>	

*Discount rate:* The discount rate used to measure the total OPEB liability as of the measurement date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate:* The following presents the District's proportionate share of the collective net OPEB liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.10 percent) or one percentage point higher (8.10 percent) than the current rate:

	<b>1.00% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1.00% Increase (8.10)</b>
District's proportionate share of the collective net OPEB liability as of June 30, 2021	\$ 3,400,000	\$ 2,656,000	\$ 2,041,000

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**Medical Insurance Plan (continued)**

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates:* The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<b>1.00% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1.00% Increase</b>
District's proportionate share of the collective net OPEB liability as of June 30, 2021	\$ 1,930,000	\$ 2,656,000	\$ 3,560,000

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

**Life Insurance Plan**

*Plan description:* TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

*Benefits provided:* TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon death of the member to the member's estate or to a party designated by the member.

*Contributions:* In order to fund the post-retirement life insurance benefit, three hundredths of one percent (0.03%) of the gross annual payroll of members is contributed by the State.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2022, the District did not report a liability for the District's proportionate share of the collective net OPEB liability because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District.

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**Life Insurance Plan (continued)**

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		29,000
Total	\$	29,000

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using standard actuarial techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.00 percent, which was unchanged from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$4,394 and revenue of \$4,394 for support provided by the State.

*Actuarial assumptions:* The total OPEB liability in the June 30, 2020 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Real wage growth	0.25%	
Wage inflation	2.75%	
Salary increases	3.00% - 7.50%, including wage inflation	
Long-term Investment Rate of Return	7.10%, net of investment expense, including inflation	

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies of the System, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**Teachers' Retirement System of the Commonwealth of Kentucky (continued)**

**Life Insurance Plan (continued)**

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each asset class, as provided by TRS's investment consultant, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	(0.10)%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	(0.30)%
<b>Total</b>	<b>100.00%</b>	

*Discount rate:* The discount rate used to measure the total OPEB liability as of the measurement date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.



**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**County Employees' Retirement System**

**General Information about the Pension Plan**

*Plan description:* Substantially all other employees (classified personnel) participate in the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the CERS Board of Trustees. CERS consists of two plans – Non-Hazardous and Hazardous. District employees participate in the Non-Hazardous plan only. Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://kyret.ky.gov>.

*Benefits provided:* CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

*Cost of Living Adjustment (COLA):* Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011.

*Contributions:* Tier 1 plan members, who began participating prior to September 1, 2008, are required to contribute 5 percent of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5 percent. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6 percent of their annual creditable compensation, while 1 percent of these contributions are deposited to an account created for the payment of health insurance benefits under 25 USC Section 401(h) in the Pension Fund. These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5 percent. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1 percent contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on, or after, January 1, 2014, are 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 account. Members contribute 5 percent of their annual creditable compensation, and an additional 1 percent to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Kentucky Retirement System 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.

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**County Employees' Retirement System (continued)**

**Pension Plan (continued)**

Interest is paid into the Tier 3 member's account. The account currently earns 4 percent interest credit on the member's account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4 percent. If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4 percent, then the member's account will be credited with 75 percent of the amount of the returns over 4 percent on the account balance as of June 30 of the previous year (Upside Sharing Interest). The Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit Balance.

The District is required to contribute at an actuarially determined rate. As of June 30, 2022, the District's required contribution rate was 21.17 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. Contributions to CERS from the District were \$610,203 for the year ended June 30, 2022.

**Pension Liabilities, Pension Expense, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the District reported a liability of \$6,581,212 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.103222 percent, which was a decrease of 0.002396 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$409,164. Total pension expense for all plans was \$2,803,721 with revenue of \$2,394,557 for support provided by the State, for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**County Employees' Retirement System (continued)**

**Pension Plan (continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 75,573	\$ 63,875
Changes of assumptions	88,328	-
Net difference between projected and actual investment earnings on pension plan investments	-	877,165
Changes in proportion and differences between District contributions and proportional share of contributions	30,906	98,794
District contributions subsequent to the measurement date	<u>610,203</u>	<u>n/a</u>
Total	<u>\$ 805,010</u>	<u>\$ 1,039,834</u>

Of the total amount reported as deferred outflows of resources related to pensions, District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the District's pension expense as follows:

<b><u>Year ended June 30:</u></b>	<b><u>Amount</u></b>
2023	\$ (116,286)
2024	(253,455)
2025	(200,605)
2026	(274,681)
2027	-
Thereafter	-

*Actuarial assumptions:* The Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total pension liability as of June 30, 2021, was determined using the following updated assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, including inflation

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**County Employees' Retirement System (continued)  
Pension Plan (continued)**

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.30 percent per annum.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>68.50%</b>	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.50%	0.00%
Cash	1.50%	(0.60)%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
<b>Expected Real Return</b>	<b>100.00%</b>	<b>5.00%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return on Portfolio</b>		<b>7.30%</b>

*Discount rate:* The projection of cash flows used to determine the discount rate of 6.25 percent assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

*Sensitivity of the District's proportionate share of the collective net pension liability to changes in the discount rate:* The following presents the District's proportionate share of the collective net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage point higher (7.25 percent) than the current rate:

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**County Employees' Retirement System (continued)**

**Pension Plan (continued)**

	<b>1.00% Decrease (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>1.00% Increase (7.25%)</b>
District's proportionate share of the collective net pension liability as of June 30, 2021	\$ 8,440,717	\$ 6,581,212	\$ 5,042,516

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority financial report.

The District also offers employees the option to participate in a defined contribution plan under Section 403(b) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amounts allowable by law. The District does not contribute to these plans.

**General Information about the OPEB Plan**

*Plan description:* In addition to the pension benefits described above, Kentucky Public Pensions Authority provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Trust Fund (Insurance Fund), a cost-sharing, multiple-employer defined benefit plan. The Insurance Fund was established by KRS 61.701 to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). The responsibility for the general administration and operation of the Insurance Fund is vested with the KRS and CERS Boards of Trustees.

*Benefits Provided:* The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2021 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$24.3 million and \$3.3 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2020, insurance premiums withheld from benefit payments for members of CERS were \$24.5 million and \$3.0 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty.

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are shown below:

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

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**County Employees' Retirement System (continued)**

**OPEB Plan (continued)**

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees 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. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

*Contributions:* The District is required to contribute at an actuarially determined rate. As of June 30, 2022, the District's required contribution rate was 5.78 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. Contributions to the Insurance Fund from the District were \$166,602 for the year ended June 30, 2022, which does not include implicit subsidies reported in the amount of \$65,008. As described above, Tier 2 and Tier 3 employees contribute 1 percent of their annual creditable compensation to the Insurance Fund; Tier 1 employees are not required to contribute.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2022, the District reported a liability of \$1,975,674 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.103198 percent, which was a decrease of 0.002390 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$131,908. Total OPEB expense for all plans was \$1,253 with revenue of \$182,825 for support provided by the State for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**  
**County Employees' Retirement System (continued)**  
**OPEB Plan (continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 310,675	\$ 589,871
Changes of assumptions	523,789	1,837
Net difference between projected and actual investment earnings on pension plan investments	-	309,067
Changes in proportion and differences between District contributions and proportional share of contributions	6,289	52,563
Implicit subsidy	65,008	n/a
District contributions subsequent to the measurement date	<u>166,602</u>	<u>n/a</u>
Total	<u>\$ 1,072,363</u>	<u>\$ 953,338</u>

Of the total amount reported as deferred outflows of resources related to OPEB, the implicit subsidy and District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<b><u>Year ended June 30:</u></b>	<b><u>Amount</u></b>
2023	\$ 37,725
2024	(9,215)
2025	(14,282)
2026	(126,813)
2027	-
Thereafter	-

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**County Employees' Retirement System (continued)**

**OPEB Plan (continued)**

*Actuarial assumptions:* The Kentucky Retirement Systems Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total OPEB liability as of June 30, 2021, was determined using the following updated assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, 2020, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates or arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.30 percent per annum.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>68.50%</b>	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
<b>Liquidity</b>	<b>11.50%</b>	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
<b>Diversifying Strategies</b>	<b>20.00%</b>	
Real Estate	10.00%	5.40%
Real Return	10.00%	4.55%
<b>Expected Real Return</b>	<b>100.00%</b>	<b>5.00%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>
<b>Expected Nominal Return for Portfolio</b>		<b>7.30%</b>



**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

**County Employees' Retirement System (continued)**

**OPEB Plan (continued)**

The fully-insured premiums Kentucky Public Pensions Authority pays for the CERS Health Insurance Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

*Discount rate:* A single discount rate of 5.20% was used to measure the total OPEB liability as of June 30, 2021. The discount rate determination used an expected rate of return of 6.25 percent, and a municipal bond rate of 1.92 percent, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of current plan members. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate:* The following presents the District's proportionate share of the collective net OPEB liability calculated using the discount rate of 5.20 percent, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20 percent) or one percentage point higher (6.20 percent) than the current rate:

	<b>1.00% Decrease (4.20%)</b>	<b>Current Discount Rate (5.20%)</b>	<b>1.00% Increase (6.20%)</b>
District's proportionate share of the collective net OPEB liability as of June 30, 2021	\$ 2,712,586	\$ 1,975,674	\$ 1,370,916

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates:*

The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<b>1.00% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1.00% Increase</b>
District's proportionate share of the collective net OPEB liability as of June 30, 2021	\$ 1,422,251	\$ 1,975,674	\$ 2,643,665

*OPEB plan fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 – CONTINGENCIES**

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and reimbursed disbursement, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U. S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**NOTE 10 – RISK MANAGEMENT**

The District is exposed to various forms of loss of assets associated with the risk of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which includes Workers' Compensation Insurance, which are retrospectively rated.

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Funds; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 11 – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss contingency.

**Hancock County School District  
Notes to the Basic Financial Statements  
June 30, 2022**

**NOTE 12 – TRANSFER OF FUNDS**

The following transfers were made during the fiscal year ended June 30, 2022:

<u>From:</u>	<u>To:</u>	<u>Amount</u>	<u>Net Transfers</u>
General Fund	Special Revenue	\$ 32,656	\$ -
General Fund	Construction	514,872	-
FSPK	Debt Service	739,477	-
Construction Fund	General Fund	106,710	-
Special Revenue	General Fund	51,807	-
Food Service	General Fund	16,656	16,656
		<u>\$ 1,462,178</u>	<u>\$ 16,656</u>

All Transfers were made based on cash available to each fund at the time of the transfer. The typical use of each transfer was for construction, payroll, or debt service.

There is an interfund receivable between the Special Revenue Fund and the General Fund in the amount of \$445,533. This exists due to the fact General Fund cash was used to pay expenses for the Special Revenue Fund

**NOTE 13 – ON-BEHALF PAYMENTS**

The District receives on-behalf payments for fringe benefits, technology, and bond debt from the Commonwealth of Kentucky. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances - governmental funds, and the statement of revenues, expenses, and changes in net position - proprietary funds:

Retirement Contributions to the Teachers' Retirement System of Kentucky	\$ 2,577,382
Health Insurance	1,651,748
Life Insurance	3,051
Health Reimbursement Account - HRA/Dental/Vision	187,139
Administrative Fee	24,416
Less: Federal Reimbursements of Health Benefits	<u>(133,454)</u>
Total On-Behalf Payments for Fringe Benefits	4,310,282
Technology On-Behalf Payments	96,483
School Facilities Construction Commission (SFCC) Debt Service	<u>860,927</u>
Total On-Behalf Payments	<u>\$ 5,267,692</u>

**NOTE 14 – LITIGATION**

The District is subject to various legal actions in various states of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of cases currently in progress.

**Hancock County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2022**

**NOTE 15 –IMPLEMENTATION OF GASB NO. 87**

In June 2017, the GASB issued Statement No. 87 – Leases, effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District adopted the new accounting standard beginning July 1, 2021 and has determined that it does not have a material effect on the District's financial statements.

**NOTE 16 – SUBSEQUENT EVENTS**

In accordance with ASC 855, subsequent events were evaluated through November 11, 2022, the date these financial statements were available to be issued.

**Hancock County Board of Education  
Statement of Budgetary Comparison – General Fund  
For the fiscal year ended June 30, 2022**

	<u>BUDGETED AMOUNTS</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>REVENUES:</u></b>				
From local sources				
Taxes:				
Property	\$4,985,000	\$ 4,985,000	\$ 5,510,438	\$ 525,438
Motor vehicle and watercraft	400,000	400,000	333,592	(66,408)
Utilities	1,200,000	1,200,000	2,235,830	1,035,830
Tuition and fees	4,000	4,000	4,000	-
Earnings on investments	84,000	84,000	106,248	22,248
Other local revenues	249,018	249,018	177,982	(71,036)
Intergovernmental - intermediate	-	-	47,018	47,018
Intergovernmental - state	4,209,009	4,209,009	9,862,841	5,653,832
Intergovernmental - direct federal	25,000	25,000	55,157	30,157
	<u>11,156,027</u>	<u>11,156,027</u>	<u>18,333,106</u>	<u>7,177,079</u>
<b><u>EXPENDITURES:</u></b>				
Instruction	7,335,812	7,335,812	10,161,226	(2,825,414)
Support services:				
Student	670,777	670,777	875,287	(204,510)
Instruction staff	638,137	638,137	686,419	(48,282)
District administrative	748,808	748,808	674,929	73,879
School administrative	994,013	994,013	1,102,545	(108,532)
Business	487,011	487,011	706,914	(219,903)
Plant operation & maintenance	1,607,478	1,607,478	1,628,986	(21,508)
Student transportation	1,716,800	1,716,800	1,735,221	(18,421)
Community services	25,646	25,646	25,605	41
Food service	300	300	354	(54)
Land improvements	70,000	70,000	-	70,000
Contingency	306,573	306,573	-	306,573
	<u>14,601,355</u>	<u>14,601,355</u>	<u>17,597,486</u>	<u>(2,996,131)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(3,445,328)</u>	<u>(3,445,328)</u>	<u>735,620</u>	<u>4,180,948</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	468,688	178,075	175,173	(2,902)
Transfers out	(373,360)	(373,360)	(547,528)	(174,168)
Capital Asset Disposal	-	-	274,684	274,684
	<u>95,328</u>	<u>(195,285)</u>	<u>(97,671)</u>	<u>97,614</u>
Change in fund balance	(3,350,000)	(3,640,613)	637,949	4,278,562
Fund Balance, Beginning of Year	<u>3,350,000</u>	<u>3,350,000</u>	<u>4,529,327</u>	<u>1,179,327</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (290,613)</u>	<u>\$ 5,167,276</u>	<u>\$ 5,457,889</u>

See Independent Auditor's Report.

**Hancock County Board of Education**  
**Statement of Budgetary Comparison – Special Revenue Fund**  
**For the fiscal year ended June 30, 2022**

	<b>BUDGETED AMOUNTS</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b><u>REVENUES:</u></b>				
Other local revenues	\$ -	\$ -	\$ 88,460	\$ 88,460
Intergovernmental - state	582,552	582,552	505,152	(77,400)
Intergovernmental - federal	3,809,657	3,809,657	2,777,208	(1,032,449)
<b>Total Revenues</b>	<b>4,392,209</b>	<b>4,392,209</b>	<b>3,370,820</b>	<b>(1,021,389)</b>
<b><u>EXPENDITURES:</u></b>				
Instruction	3,028,676	3,028,676	2,102,162	926,514
Support services:				
Student	104,294	104,294	120,471	(16,177)
Instruction staff	223,446	223,446	335,280	(111,834)
School administrative	403,236	403,236	-	403,236
Plant operations and maintenance	-	-	522,613	(522,613)
Business	149,643	149,643	44,806	104,837
Student transportation	10,780	10,780	26,834	(16,054)
Day care	-	-	28,218	(28,218)
Community services	170,949	170,949	171,285	(336)
<b>Total Expenditures</b>	<b>4,091,024</b>	<b>4,091,024</b>	<b>3,351,669</b>	<b>739,355</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>301,185</b>	<b>301,185</b>	<b>19,151</b>	<b>(282,034)</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers in	-	-	32,656	32,656
Transfers out	(301,185)	(301,185)	(51,807)	249,378
<b>Total Other Financing Sources</b>	<b>(301,185)</b>	<b>(301,185)</b>	<b>(19,151)</b>	<b>282,034</b>
Change in fund balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See Independent Auditor's Report.

**Hancock County Board of Education**  
**Schedule of the District's Proportionate Share of the Collective Net Pension Liability**  
**Kentucky Teachers' Retirement System Pension Plan**  
**As of the measurement date for the last ten years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportion of the collective net pension liability associated with the District	0.2305%	0.2348%	0.2384%	0.2431%	0.2456%	0.2443%	0.2425%	0.2309%
State's proportionate share of the collective net pension liability associated with the District	<u>29,998,251</u>	<u>33,284,537</u>	<u>32,528,414</u>	<u>31,835,016</u>	<u>66,273,667</u>	<u>72,079,974</u>	<u>56,460,482</u>	<u>47,456,512</u>
Total	<u>\$ 29,998,251</u>	<u>\$ 33,284,537</u>	<u>\$ 32,528,414</u>	<u>\$ 31,835,016</u>	<u>\$ 66,273,667</u>	<u>\$ 72,079,974</u>	<u>\$ 56,460,482</u>	<u>\$ 47,456,512</u>
District's covered-employee payroll	\$ 7,299,407	\$ 7,458,078	\$ 7,409,813	\$ 7,363,018	\$ 6,959,652	\$ 6,350,600	\$ 5,900,599	\$ 5,481,340
District's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.80%	35.20%	42.50%	45.59%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Hancock County Board of Education  
Schedule of the District's Pension Contributions  
Kentucky Teachers' Retirement System Pension Plan  
For the last ten fiscal years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,926,785	\$ 7,299,407	\$ 7,458,078	\$ 7,409,813	\$ 7,363,018	\$ 6,959,652	\$ 6,350,600	\$ 5,900,599
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.



**Hancock County Board of Education**  
**Schedule of the District's Proportionate Share of the Collective Net OPEB Liability**  
**Kentucky Teachers' Retirement System Medical Insurance Plan**  
**As of the measurement date for the last ten years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.123779%	0.126689%	0.127662%	0.125901%	0.130107%
District's proportionate share of the collective net OPEB liability	\$ 2,656,000	\$ 3,197,000	\$ 3,736,000	\$ 4,368,000	\$ 4,639,000
State's proportion of the collective net OPEB liability associated with the District	0.100524%	0.101483%	0.103096%	0.108501%	0.106278%
State's proportionate share of the collective net OPEB liability associated with the District	<u>2,157,000</u>	<u>2,561,000</u>	<u>3,017,000</u>	<u>3,765,000</u>	<u>3,790,000</u>
<b>Total</b>	<b><u>\$ 4,813,000</u></b>	<b><u>\$ 5,758,000</u></b>	<b><u>\$ 6,753,000</u></b>	<b><u>\$ 8,133,000</u></b>	<b><u>\$ 8,429,000</u></b>
District's covered-employee payroll	\$ 7,299,407	\$ 7,458,078	\$ 7,409,813	\$ 7,363,018	\$ 6,959,652
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	36.39%	42.87%	50.42%	59.32%	66.66%
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%	39.05%	32.58%	25.50%	21.20%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Hancock County Board of Education  
Schedule of the District's OPEB Contributions  
Kentucky Teachers' Retirement System Medical Insurance Plan  
For the last ten fiscal years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 237,806	\$ 218,981	\$ 223,742	\$ 222,294	\$ 220,890
Contributions in relation to the statutorily required contribution	<u>(237,806)</u>	<u>(218,981)</u>	<u>(223,742)</u>	<u>(222,294)</u>	<u>(220,890)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,926,785	\$ 7,299,407	\$ 7,458,078	\$ 7,409,813	\$ 7,363,018
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Hancock County Board of Education**  
**Schedule of the District's Proportionate Share of the Collective Net OPEB Liability**  
**Kentucky Teachers' Retirement System Life Insurance Plan**  
**As of the measurement date for the last ten years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportion of the collective net OPEB liability associated with the District	0.219277%	0.223115%	0.225604%	0.229091%	0.231005%
State's proportionate share of the collective net OPEB liability associated with the District	<u>29,000</u>	<u>77,000</u>	<u>70,000</u>	<u>65,000</u>	<u>51,000</u>
Total	<u>\$ 29,000</u>	<u>\$ 77,000</u>	<u>\$ 70,000</u>	<u>\$ 65,000</u>	<u>\$ 51,000</u>
District's covered-employee payroll	\$ 7,299,407	\$ 7,458,078	\$ 7,409,813	\$ 7,363,018	\$ 6,959,652
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%	71.57%	73.40%	75.00%	80.00%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Hancock County Board of Education  
Schedule of the District's OPEB Contributions  
Kentucky Teachers' Retirement System Life Insurance Plan  
For the last ten fiscal years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,926,785	\$ 7,299,407	\$ 7,458,078	\$ 7,409,813	\$ 7,363,018
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Hancock County Board of Education**  
**Schedule of the District's Proportionate Share of the Collective Net Pension Liability**  
**County Employees' Retirement System Pension Plan**  
**As of the measurement date for the last ten years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.103222%	0.105618%	0.104582%	0.104937%	0.104556%	0.101102%	0.104504%	0.103942%
District's proportionate share of the collective net pension liability	\$ 6,581,212	\$ 8,100,813	\$ 7,355,299	\$ 6,390,983	\$ 6,119,984	\$ 4,977,871	\$ 4,493,176	\$ 3,372,000
District's covered-employee payroll	\$ 2,638,236	\$ 2,708,282	\$ 2,637,954	\$ 2,600,855	\$ 2,544,593	\$ 2,526,377	\$ 2,548,325	\$ 2,384,589
District's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	249.46%	299.11%	278.83%	245.73%	240.51%	197.04%	176.32%	141.41%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Hancock County Board of Education  
Schedule of the District's Pension Contributions  
County Employees' Retirement System Pension Plan  
For the last ten fiscal years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 610,203	\$ 509,181	\$ 522,700	\$ 427,826	\$ 376,604	\$ 354,971	\$ 313,776	\$ 324,911
Contributions in relation to the statutorily required contribution	<u>(610,203)</u>	<u>(509,181)</u>	<u>(522,700)</u>	<u>(427,826)</u>	<u>(376,604)</u>	<u>(354,971)</u>	<u>(313,776)</u>	<u>(324,911)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,882,392	\$ 2,638,236	\$ 2,708,282	\$ 2,637,954	\$ 2,600,855	\$ 2,544,593	\$ 2,526,377	\$ 2,548,325
Contributions as a percentage of covered-employee payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Hancock County Board of Education**  
**Schedule of the District's Proportionate Share of the Collective Net OPEB Liability**  
**County Employees' Retirement System OPEB Plan**  
**As of the measurement date for the last ten years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.103198%	0.105588%	0.104555%	0.104933%	0.104556%
District's proportionate share of the collective net OPEB liability	\$ 1,975,674	\$ 2,549,629	\$ 1,758,568	\$ 1,863,065	\$ 2,101,933
District's covered-employee payroll	\$ 2,638,236	\$ 2,708,282	\$ 2,637,954	\$ 2,600,855	\$ 2,544,593
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	74.89%	94.14%	66.66%	71.63%	82.60%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.93%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Hancock County Board of Education  
Schedule of the District's OPEB Contributions  
County Employees' Retirement System OPEB Plan  
For the last ten fiscal years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 166,602	\$ 125,580	\$ 128,914	\$ 138,756	\$ 122,240
Contributions in relation to the statutorily required contribution	<u>(166,602)</u>	<u>(125,580)</u>	<u>(128,914)</u>	<u>(138,756)</u>	<u>(122,240)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,882,392	\$ 2,638,236	\$ 2,708,282	\$ 2,637,954	\$ 2,600,855
Contributions as a percentage of covered-employee payroll	5.78%	4.76%	4.76%	5.26%	4.70%

\*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.



**Hancock County Board of Education  
Notes to the Required Supplementary Information  
June 30, 2022**

**Kentucky Teachers' Retirement System**

**Pension Plan**

*Changes of benefit terms:* None.

*Changes of assumptions:*

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In the 2016 valuation, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience and the assumed salary scale, price inflation, and wage inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.
- In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.
- In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.
- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.5 percent to 7.10 percent.

**Medical Insurance Plan**

*Changes of benefit terms:* The following changes were by the General Assembly and reflected in the valuation performed as of June 30, 2016:

House Bill 471 restored the eligibility of non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

See Independent Auditor's Report.

**Hancock County Board of Education  
Notes to the Required Supplementary Information  
June 30, 2022**

**Kentucky Teachers' Retirement System (continued)**

**Medical Insurance Plan (continued)**

*Changes of assumptions:*

- In 2020, health care cost trend rates were updated.
- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

**Life Insurance Plan**

*Changes of benefit terms:* None.

*Changes of assumptions:*

- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

See Independent Auditor's Report.

**Hancock County Board of Education  
Notes to the Required Supplementary Information  
June 30, 2022**

**County Employees' Retirement System**

**Pension Plan**

*Changes of benefit terms:* During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final pay rate to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of member's final pay to 50% of average pay for one child, 65% over average pay for two children, of 75% of average pay for three children. The Total Pension Liability beginning June 30, 2018 is determined using these updated benefit provisions.

*Changes of assumptions:* In the June 30, 2019, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2019</u>	<u>June 30, 2017</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Inflation	2.30%	2.30%	3.25%	3.50%
Payroll Growth	2.00%	0.75%	0.75%	1.00%
Salary Increases	3.30% to 10.30%	3.05%	4.00%	4.50%
Investment Rate of Return	6.25%	6.25%	7.50%	7.75%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Beginning with the June 30, 2015 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For periods prior to the June 30, 2015 actuarial valuation, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

See Independent Auditor's Report.

**Hancock County Board of Education  
Notes to the Required Supplementary Information  
June 30, 2022**

**County Employees' Retirement System**

**Other Postemployment Benefits Plan**

*Changes of benefit terms:* During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB Liability beginning June 30, 2018 is determined using these updated benefit provisions.

*Changes of assumptions:* In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made:

	<u>June 30, 2019</u>	<u>June 30, 2017</u>
Inflation	2.30%	2.30%
Payroll Growth	2.00%	0.75%
Salary Increases	3.30% to 10.30%	3.05%
Investment Rate of Return	6.25%	6.25%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Beginning with the June 30, 2017 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

See Independent Auditor's Report.

**Hancock County Board of Education  
Combining Balance Sheet – Non-Major Governmental Funds  
As of June 30, 2022**

	<b>SEEK Capital Outlay Fund</b>	<b>Debt Service Fund</b>	<b>District 21 Activity Fund</b>	<b>Student Activity Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b><u>ASSETS AND RESOURCES:</u></b>					
Cash and cash equivalents	\$ 427,428	\$ -	\$ 37,016	\$ 417,622	\$ 882,066
Total Assets and Resource:	<u>\$ 427,428</u>	<u>-</u>	<u>\$ 37,016</u>	<u>\$ 417,622</u>	<u>\$ 882,066</u>
<b><u>LIABILITIES:</u></b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCES:</u></b>					
Restricted	427,428	-	37,016	417,622	882,066
Total Fund Balances	<u>427,428</u>	<u>-</u>	<u>37,016</u>	<u>417,622</u>	<u>882,066</u>
Total Liabilities and Fund Balances	<u>\$ 427,428</u>	<u>\$ -</u>	<u>\$ 37,016</u>	<u>\$ 417,622</u>	<u>\$ 882,066</u>

See Independent Auditor's Report.

**Hancock County Board of Education  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Non-Major Governmental Funds  
For the fiscal year ended June 30, 2022**

	<b>SEEK Capital Outlay Fund</b>	<b>Debt Service Fund</b>	<b>District 21 Activity Fund</b>	<b>Student Activity Fund</b>	<b>Total Non-major Governmental Funds</b>
<b><u>REVENUES:</u></b>					
From local sources:					
Other	\$ -	\$ -	\$ 13,217	\$ 675,372	\$ 688,589
Earnings on investments	-	-	-	-	-
Intergovernmental - State	151,503	860,927	-	-	1,012,430
<b>Total Revenues</b>	<b>151,503</b>	<b>860,927</b>	<b>13,217</b>	<b>675,372</b>	<b>1,701,019</b>
<b><u>EXPENDITURES:</u></b>					
Instruction	-	-	4,276	551,201	555,477
Debt service	-	1,600,404	-	-	1,600,404
<b>Total Expenditures</b>	<b>-</b>	<b>1,600,404</b>	<b>4,276</b>	<b>551,201</b>	<b>2,155,881</b>
Excess (Deficiency) of Revenues Over Expenditures	151,503	(739,477)	8,941	124,171	(454,862)
<b><u>OTHER FINANCING SOURCES (USES):</u></b>					
Transfers in	-	739,477	-	-	739,477
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>739,477</b>	<b>-</b>	<b>-</b>	<b>739,477</b>
Change in fund balance	151,503	-	8,941	124,171	284,615
Fund balance, beginning of year	275,925	-	28,075	293,451	597,451
Fund balance, end of year	<b>\$ 427,428</b>	<b>\$ -</b>	<b>\$ 37,016</b>	<b>\$ 417,622</b>	<b>\$ 882,066</b>

See Independent Auditor's Report.

**Hancock County Board of Education  
Statement of Receipts, Expenditures, and Fund Balance  
Elementary and Middle Schools – Activity Funds  
For the fiscal year ended June 30, 2022**

	<u>Cash Balance</u> <u>July 1, 2021</u>	<u>Receipts</u> <u>For Year</u>	<u>Disbursements</u> <u>For Year</u>	<u>Cash Balance</u> <u>June 30, 2021</u>	<u>Accounts</u> <u>Receivable</u>	<u>Accounts</u> <u>Payable</u>	<u>Fund Balance</u> <u>June 30, 2022</u>
<b>SCHOOL ACTIVITY FUNDS:</b>							
Hancock Middle School	\$ 75,392	\$ 119,539	\$ 100,971	\$ 93,960	\$ -	\$ -	\$ 93,960
North Hancock Elementary	44,989	89,013	52,165	81,837	-	-	81,837
South Hancock Elementary	13,981	39,498	31,831	21,648	-	-	21,648
<b>Totals</b>	<b>\$ 134,362</b>	<b>\$ 248,050</b>	<b>\$ 184,967</b>	<b>\$ 197,445</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 197,445</b>

See Independent Auditor's Report.

**Hancock County Board of Education  
Statement of Receipts, Expenditures, and Fund Balance  
Hancock County High School – Activity Funds  
For the fiscal year ended June 30, 2022**

<u>Accounts</u>	Cash Balance July 1, 2021	Receipts For Year	Disbursements For Year	Cash Balance	Transfer In/(Out)	Fund Balance June 30, 2022
<b>Hancock County High School:</b>						
General	\$ 13,844	\$ 47,142	\$ (45,868)	\$ 15,118	\$ 6,464	\$ 21,582
Athletic	106,129	213,204	(202,252)	117,081	(192)	116,889
Clubs	26,685	132,420	(92,238)	66,867	(5,071)	61,796
Scholarship Funds	3,353	10,481	(10,843)	2,991	600	3,591
Student Council	37	-	-	37	-	37
Supplies	313	5,261	(2,927)	2,647	(737)	1,910
Industrial Technology	8,727	18,814	(12,107)	15,434	(1,064)	14,370
	<u>\$ 159,088</u>	<u>\$ 427,322</u>	<u>\$ (366,235)</u>	<u>\$ 220,175</u>	<u>\$ -</u>	<u>\$ 220,175</u>

See Independent Auditor's Report.





## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

Members of the Board of Education  
Hancock County School District  
Hawesville, Kentucky

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Hancock County School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hancock County School District's major federal programs for the year ended June 30, 2022. Hancock County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hancock County School District, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2022.

#### ***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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 School District 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 the Hancock County School District's compliance with the compliance requirements referred to above.

### ***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 the Hancock County School District'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 the Hancock County School District'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 generally accepted auditing standards, *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 the Hancock County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 the Hancock County School District'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 the Hancock County School District'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 the Hancock County School District'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.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Alexander Thompson Arnold PLLC*

Owensboro, Kentucky  
November 11, 2022



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board of Education  
Hancock County School District  
Hawesville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditors' Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Hancock County School District's basic financial statements and have issued our report thereon dated November 11, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hancock County School District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hancock County School District's internal control.

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 statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hancock County School District's financial statements are 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The results of our tests also disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II to the Independent Auditors' Contract - State Audit Requirements*.

We also noted certain other matters that we reported to management of Hancock County School District in a separate letter dated November 11, 2022.

## **Hancock County School District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

## **Purpose of this Report**

Governmental Auditing standards requires the auditor to perform limited procedures on 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 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.

*Alexander Thompson Arnold PLLC*

Owensboro, Kentucky  
November 11, 2022

**Hancock County School District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the fiscal year ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>United States Department of Agriculture:</b>			
<i>Passed through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
<b>Child Nutrition Cluster:</b>			
School Breakfast Program	10.553	7760005	\$ 320,965
National School Lunch Program	10.555	7750002	727,947
Summer Food Service Program	10.559	7690024	7,180
Summer Food Service Program	10.559	7740023	69,998
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555		10,497
<b>Total Child Nutrition Cluster</b>			<u>1,136,587</u>
Child and Adult Care Food Program	10.558	7790021	33,400
Child and Adult Care Food Program	10.558	7800016	2,264
Child and Adult Care Food Program	10.558	7980000	7,509
<b>Total Child and Adult Care Food Program</b>			<u>43,173</u>
State Administrative Expenses for Child Nutrition	10.560	7700001	396
Pandemic EBT Administrative Funds	10.649	9990000	614
<b>Total United States Department of Agriculture</b>			<u>1,180,770</u>
<b>United States Department of Education:</b>			
<i>Passed through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010A	3100002-20	113,396
Title I Grants to Local Educational Agencies	84.010A	3100002-21	80,768
Title I Grants to Local Educational Agencies	84.010A	3100202-20	77,205
Title I Grants to Local Educational Agencies	84.010A	3100202-21	36,462
<b>Total Title I Grants to Local Educational Agencies</b>			<u>307,831</u>
<b>Special Education Cluster (IDEA)</b>			
Special Education - Grants to States	84.027A	3810002-21	142,059
Special Education - Grants to States	84.027A	3810002-21	187,634
Special Education - Grants to States	84.027X	3810002-21	360
Special Education - Preschool Grants	84.173A	3800002-20	12,240
Special Education - Preschool Grants	84.173X	3800002-21	3,501
<b>Total Special Education Cluster</b>			<u>345,794</u>
Career and Technical Education Basic Grants	84.048A	3710002-21	14,592
Supporting Effective Instruction State Grants	84.367A	3230002-20	34,643
Supporting Effective Instruction State Grants	84.367A	3230002-21	3,254
<b>Total Supporting Effective Instruction State Grants</b>			<u>37,897</u>
Student Support and Academic Enrichment	84.424A	3230002-20	14,247
COVID-19 - Education Stabilization Fund	84.425C	GEER	4,255
COVID-19 - Education Stabilization Fund	84.425D	4000002-21	110,543
COVID-19 - Education Stabilization Fund	84.425D	4000002-21	909,190
COVID-19 - Education Stabilization Fund	84.425D	4000002-21	782
COVID-19 - Education Stabilization Fund	84.425D	4000002-21	19,100
COVID-19 - Education Stabilization Fund	84.425U	4000002-21	1,012,977
<b>Total Education Stabilization Fund</b>			<u>2,056,847</u>
<b>Total United States Department of Education</b>			<u>2,777,208</u>
<b>Total Federal Awards Expended</b>			<u>\$ 3,957,978</u>

**Hancock County School District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the fiscal year ended June 30, 2022**

**Note 1**            **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal award activity of Hancock County School District under programs of the federal government for the year ended June 30, 2022. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hancock County School District.

**Note 2**            **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. 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 School District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**Note 4**            **Food Distribution:**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed

**Hancock County School District  
Schedule of Findings and Questioned Costs  
For the fiscal year ended June 30, 2022**

**I. Summary**

	<u>Results</u>
<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
* Material weakness(es) identified?	No
* Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs:	
* Material weakness(es) identified?	No
* Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major federal programs?	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
84.425 Education Stabilization Fund	\$ 2,056,847
84.010A Title 1	\$ 307,831
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No



**Hancock County School District  
Schedule of Findings and Questioned Costs  
For the fiscal year ended June 30, 2022**

**II. Findings - Financial Statement Audit**

**2022-001 Accounting for Fiduciary Activities in Accordance with GASB No. 84  
Fiduciary Activities:**

**Condition:**

The District was required to report financial transactions by the Kentucky Department of Education in Fund 25, however, during the year no activity had been posted by June 30, 2022.

**Criteria:**

Activity funds are required to be summarized and reported in Fund 25 as a fiduciary fund of the District.

**Cause:**

Finance staff was not aware of the requirement to report activity funds as a fiduciary fund of the District

**Effect:**

The possibility existed that the fund could have been omitted from the Annual Financial Report (AFR).

**Recommendation:**

Auditors recommend that activity from fiduciary activities be reported, reconciled and summarized in Fund 25 on a monthly basis.

**Management Response:**

Management concurs and will take corrective action immediately.

**Hancock County School District  
Schedule of Findings and Questioned Costs  
For the fiscal year ended June 30, 2022**

**2022-002 Accounting for Capital Asset Activity**

**Condition:**

It was noted during our audit of the area of Capital Assets, that activity was not being summarized and reconciled on a monthly basis. A significant audit adjustment was required as of June 30, 2022 to correct the balance.

**Criteria:**

Ideally, capital asset activity would be reconciled from the general ledger to the subsidiary capital asset report on a monthly basis to ensure all items capitalized are properly reflected in the financial statements.

**Cause:**

Finance staff was not performing this task on a monthly basis.

**Effect:**

Capital assets are not properly reflected during the year in the financial statements, and the risk exists that items may not be capitalized and depreciated in a timely manner.

**Recommendation:**

Auditors recommend that capital asset activity be balanced and reconciled on a monthly basis.

**Management Response:**

Management concurs and will take corrective action immediately.

**Hancock County School District  
Schedule of Findings and Questioned Costs  
For the fiscal year ended June 30, 2022**

**III. Findings and Questioned Costs - Major Federal Program Audit:**

None: There were no material findings or questioned costs related to the major federal programs of Hancock County School District for the fiscal year ended June 30, 2022.

**IV. Summary Schedule of Prior Audit Findings:**

There were no findings or questioned costs related to the financial statement audit for the fiscal year ended June 30, 2021.



To the Board of Education  
Hancock County School District  
Hawesville, Kentucky

Ladies and Gentlemen:

The following recommendations resulted from our audit of the Hancock County School District for the fiscal year ended June 30, 2022. We have developed these recommendations to assist the District in improving financial operations as well as the related internal controls over various operational areas.

### **Improving Procedures Over School Activity Funds:**

During our test of the receipts and disbursement cycles of the student activity funds for the District, we noted several instances where staff failed to follow procedures promulgated by the Kentucky Department of Education's *Accounting Procedures for Kentucky School Activity Funds* (The Redbook). The following conditions were noted from our sample.

- Five instances related to the donation forms missing proper signatures;
- One instance related to the deposit slips not being initialed;
- Twenty-eight instances related to the deposit receipt not being properly approved;
- Nine instances related to the Multiple Receipt Forms not being completed properly;
- Three instances related to a check missing dual signatures;
- One instance related to a PO only containing one signature;
- Four instances where not PO was on file;
- Twenty-three instances where invoice approval was missing;
- Twenty-three instances related to invoice missing check number;
- One instance related where no invoice was on file to support disbursement.

### **Recommendation:**

We recommend that management continue to provide training to ensure compliance with the procedures mandated by the Kentucky Department of Education as they relate to activity fund financial practices. Management of the District may also consider having someone within the District review activity in each fund on a monthly basis.

### **Management Response:**

Management concurs with this recommendation and at the time of the audit has already communicated to responsible staff the procedures as they relate to the Redbook. From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings and will conduct an annual internal review of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will be addressed with each school principal and bookkeeper and we will offer more additional training necessary to make improvements.

## **2021-22 Activity by School:**

### **North Elementary:**

- The following were noted over the cash disbursement process:
  - 1) Auditor noted a **repeat finding** that one PO only had contained one signature instead of the required two.
  - 2) Auditor noted that one PO was missing from the supporting documentation.
  - 3) Auditor noted **repeat findings** of eleven invoices that were missing a signature for approval.
  - 4) Auditor noted **repeat findings** of eleven invoices that were missing check numbers.
  
- The following was noted over the cash receipt process:
  - 1) Auditor noted that eight cash receipts were lacking proper initials on the deposit receipt

*Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.*

*From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.*

*We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.*

### **South Elementary School:**

- The following was a note related to the cash receipt process:
  - 1) Auditor noted that ten cash receipts were lacking proper initials on the deposit receipt.
  - 2) Auditor noted two instances of donation forms missing proper signatures.

*Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.*

*From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.*

*We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.*

#### **Hancock County Middle School:**

- The following were noted related to the cash receipt process:
  - 1) Auditor noted that one deposit slip was not approved with initials.
  - 2) Auditor noted that ten cash receipts were lacking proper initials on the deposit receipt.
  - 3) Auditor noted that nine Multiple Receipt Forms were not properly completed.
  
- The following were noted related to the cash disbursement process:
  - 1) Auditor noted that three checks were missing dual signatures.
  - 2) Auditor noted that one PO was missing from the supporting documentation.
  - 3) Auditor noted that twelve invoices were missing a signature for approval.
  - 4) Auditor noted a **repeat finding** of twelve invoices were missing a check number.
  - 5) Auditor noted a **repeat finding** that one invoice/receipt was not on file.

*Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.*

*From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.*

*We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.*

#### **Hancock County High School:**

- The following were noted related to the cash receipt process:
  - 1) Auditor noted three instances where a donation form was missing signatures
  
- The following were noted related to the cash disbursement process:

1) Auditor noted that two POs were missing from the supporting documentation.

*Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.*

*From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.*

*We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.*

### **Prior Year Findings:**

#### **Improving Procedures Over School Activity Funds:**

We noted several instances where procedures mandated by the Kentucky Department of Education over school activity funds were not followed. A summary by school of the findings related to the activity funds is below:

- Three instances related to the donation form not being signed by bookkeeper;
- Fourteen instances related to the deposit not being properly support by the receipt;
- One instance related to the bank reconciliation not being signed by two people;
- Four instances related to the gate receipts not matching ticket sales;
- One instance related to the game gate form not being totaled correctly;
- Two instances related to a check missing dual signatures;
- Two instances related to a PO only containing one signature;
- One instance where not PO was on file;
- Twenty-five instances where invoice approval was missing;
- Seventeen instances related to invoice missing check number;
- One instance related where no invoice was on file to support disbursement.

#### **Recommendation:**

We recommend that management continue to provide training to ensure compliance with the procedures mandated by the Kentucky Department of Education as they relate to activity fund financial practices. Management of the District may also consider having someone within the District review activity in each fund on a monthly basis.

**Status:**

Some instances seem to have been corrected, but other conditions continue to exist in fiscal year 2021-2022. Management is committed to continually improve the handling of activity funds.

*Alexander Thompson Arnold PLLC*

Alexander Thompson Arnold PLLC  
Owensboro, Kentucky  
November 11, 2022