

HANCOCK COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2023

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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, 2023, 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, 2023, 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; and for 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2024, 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.

ATA CPAs & Advisors, PLLC

Owensboro, Kentucky
February 19, 2024

HANCOCK COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Hancock County Schools

83 State Route 3543, Hawesville, Kentucky 42348

(270) 927-6914 Fax: (270) 927-6916

<http://www.hancock.kyschools.us>

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, 2023. 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 \$7,527,618. The ending fund balance was \$10,316,978 which was an increase of \$2,789,360.
- 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 \$2,694,466 during the year, while current liabilities decreased by \$83,903 resulting in a current ratio of 7:1, 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 if 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, 2023**

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, 2023**

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.

	June 30, 2023	June 30, 2022	Change
Current assets	\$ 11,300,113	\$ 8,605,647	\$ 2,694,466
Capital or non-current assets	23,196,536	22,114,541	1,081,995
Deferred outflows	4,770,297	2,986,727	1,783,570
Total Assets and Deferred Outflows	<u>39,266,946</u>	<u>33,706,915</u>	<u>5,560,031</u>
Current liabilities	\$ 1,699,874	\$ 1,783,777	\$ (83,903)
Non-current liabilities	26,218,939	22,221,302	3,997,637
Deferred Inflows	2,792,397	3,111,172	(318,775)
Total Liabilities and Deferred Inflows	<u>30,711,210</u>	<u>27,116,251</u>	<u>3,594,959</u>
Net investment in capital assets	10,026,627	10,512,861	(486,234)
Restricted	6,037,148	2,673,038	3,364,110
Unassigned	<u>(7,508,039)</u>	<u>(6,595,235)</u>	<u>(912,804)</u>
Total Net Financial Position	<u>\$ 8,555,736</u>	<u>\$ 6,590,664</u>	<u>\$ 1,965,072</u>

Total net assets and deferred outflows exceeded total liabilities and deferred inflows by \$8,555,736, increasing by \$1,965,072 from the prior year.

Current assets increased by \$2.7 million during the fiscal year and capital assets increased by \$1.1 million. Total expenditures for capital assets during the year were \$2,048,048, while depreciation of assets totaled \$959,206. The net increase in the net pension liability and other post-employment benefits liabilities and payment of debt covenants and issuance of new debt resulted in a net increase in long-term liabilities of \$4 million. All of these factors resulted in an increase in net position of \$2.0 million for the year ended June 30, 2023.

The District's total government-wide revenues were \$27.4 million and the total expenditures were \$25.6 million.

- State revenues and formula grants accounted for 34% of the total revenues while local taxes accounted for 35%.
- Expenditures totaled \$27 million, with \$16.6 million or 61% 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, 2023**

The following charts relate to the government-wide activities:

Expenses

FUNCTIONS/PROGRAMS

	2023		2022		Variance
Instruction	\$ 15,560,821	57%	\$ 11,989,845	53%	3,570,976
Student support	958,974	4%	951,880	4%	7,094
Instruction staff support	1,111,209	4%	912,422	4%	198,787
School administrative support	1,162,369	4%	1,102,545	5%	59,824
Business support	813,426	3%	751,720	3%	61,706
Other	2,085,281	8%	1,272,782	6%	812,499
Plant operation and maintenance	783,894	3%	1,642,248	7%	(858,354)
Student transportation	2,213,615	8%	1,819,301	8%	394,314
Depreciation	959,208	4%	835,440	4%	123,768
Food service	1,436,497	5%	1,201,681	5%	234,816
Total expenses	<u>\$ 27,085,294</u>		<u>\$ 22,479,864</u>		<u>4,605,430</u>

Revenues

FUNCTIONS/PROGRAMS

	2023		2022		Variance
<u>Governmental Activities:</u>					
Charges for services	\$ 442,122	2%	\$ 144,046	1%	\$ 298,076
Operating Grants	8,030,063	28%	8,187,149	31%	(157,086)
Property tax	6,558,906	23%	6,423,138	25%	135,768
Motor vehicle tax	389,033	1%	333,592	1%	55,441
Utility tax	2,710,696	9%	2,235,830	9%	474,866
State and formula grants	9,328,838	32%	7,449,461	29%	1,879,377
Other local revenues	1,123,807	4%	955,031	4%	168,776
Other	466,901	2%	387,147	1%	79,754
Total Revenues	<u>29,050,366</u>		<u>26,115,394</u>		<u>2,934,972</u>

**HANCOCK COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Governmental Fund Highlights

- Total General Fund revenues for the year were \$20.6 million, with \$11.2 million coming from state revenues, and the remaining \$9.4 million from local sources.
- Total General Fund Expenditures were \$21.4 million, with instruction costs being the largest area at \$12.1 million.
- The net excess of expenditures over revenues for all governmental funds was (\$122,956). Other financing sources of \$2.9 million brought the overall increase in governmental fund balance of \$2.8 million for the fiscal year ended.
- Special Revenue fund expenditures for the year were \$3.2 million. Two major sources of revenues for this fund were state grants totaling \$1.3 million and federal grants totaling \$1.9 million.
- Construction Fund expenditures included \$469,868 for facilities acquisition and construction. These expenditures were funded by new bond proceeds.
- FSPK revenues totaled \$1.5 million with \$1 million coming from property taxes and the remaining \$.5 million coming from state grants. There were no expenditures from this fund only transfers out in the total of \$737,135.
- In aggregate, the non-major funds of the district totaled \$1.8 million in revenue. The revenue for each fund is as follows: SEEK, \$151,503; Debt Service, \$860,926; District Activity, \$8,027; and Student Activity, \$821,517. \$1 million came from state sources in the SEEK and Debt Service Funds. Expenditures totaled \$2.37 million coming from the following sources: SEEK, \$0; Debt Service, \$1,598,061; District Activity, \$9,730; and Student Activity, \$759,188. The Debt Service Funds received transfers of \$737,135 bringing the total change in fund balance for non-major governmental funds to \$212,129.
- Total ending fund balances as of June 30, 2023, were \$4.6 million in the General Fund and \$5.7 million in the other remaining governmental funds for a total of \$10.3 million.

Commentary on General Fund Budgetary Comparisons

- Actual revenues and expenditures both include \$6.4 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 \$6.4 million in excess of budgeted amounts. The major revenue line items exceeding amounts budgeted were state revenues.
- Total expenditures were \$21.4 million, with expenditures in relation to budgeted amounts being \$1.7 million in excess of budgeted amounts. The budget included a contingency of \$3.9 million with no expenditures, actual instruction expenditures were \$4.9 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.
- Final general fund budgeted revenues increased by approximately \$2 million from the original due in large part to increased utility revenues and final budgeted expenditures increased by \$4.5 million over the original budget due in large part to an increase in contingency expenditures.

**HANCOCK COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Capital Assets:

The following is a summary of capital asset activity for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
<u>GOVERNMENTAL ACTIVITIES:</u>				
Land	\$ 285,807	\$ 280,000	\$ -	\$ 565,807
Land improvements	1,170,542	-	-	1,170,542
Building and improvements	32,378,441	391,390	-	32,769,831
Technology	2,967,007	64,998	-	3,032,005
Vehicles	2,633,059	470,030	-	3,103,089
General equipment	1,363,333	460,400	-	1,823,733
Construction in progress	-	381,230	-	381,230
Totals at historical cost	40,798,189	2,048,048	-	42,846,237
Land improvements	(1,011,666)	(37,852)	-	(1,049,518)
Building and improvements	(12,043,178)	(590,017)	-	(12,633,195)
Technology	(2,480,633)	(110,668)	-	(2,591,301)
Vehicles	(2,183,707)	(147,270)	-	(2,330,977)
General equipment	(984,806)	(73,399)	-	(1,058,205)
Less: accumulated depreciation	(18,703,990)	(959,206)	-	(19,663,196)
Governmental activities, net	\$ 22,094,199	\$ 1,088,842	\$ -	\$ 23,183,041
	Balance			Balance
	June 30, 2022	Additions	Deductions	June 30, 2023
<u>BUSINESS TYPE ACTIVITIES:</u>				
Food service equipment	710,447	-	-	710,447
Community education equipment	8,596	-	-	8,596
Totals at historical cost	719,043	-	-	719,043
Food service equipment	(690,105)	(6,847)	-	(696,952)
Community education equipment	(8,596)	-	-	(8,596)
Less: accumulated depreciation	(698,701)	(6,847)	-	(705,548)
Business type activities, net	\$ 20,342	\$ (6,847)	\$ -	\$ 13,495

Long-Term Debt Activity:

The following is a summary of long-term debt activity for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
School Building Revenue Bonds	\$ 11,635,000	\$ 2,820,000	\$(1,250,000)	\$ 13,205,000	\$ 1,405,000
<u>Deferred amounts:</u>					
Discounts	(105,516)	-	6,950	(98,566)	-
Premiums	72,196	-	(8,721)	63,475	-
	(33,320)	-	(1,771)	(35,091)	-
Total governmental bonds payable	\$ 11,601,680	\$ 2,820,000	\$ (1,251,771)	\$ 13,169,909	\$ 1,405,000

**HANCOCK COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Future Budgetary Considerations

In Kentucky, the public schools operate on a July 1st to June 30th 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 2023-24, with a \$3.9 million or 20% 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, 2023**

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:

Trey Anderson, Director of Finance
Hancock County Schools
83 State Route 3543
Hawesville, Kentucky 42348
Telephone: 270.927.6914 or Electronic Mail: trey.anderson@hancock.kyschools.us

**Hancock County School District
Statement of Net Position
As of June 30, 2023**

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 8,664,505	\$ 757,369	\$ 9,421,874
Investments	1,394,531	-	1,394,531
Inventory	-	30,395	30,395
Accounts receivable:			
Taxes - current	453,313	-	453,313
Total Current Assets	10,512,349	787,764	11,300,113
Noncurrent Assets:			
Capital assets, net	23,183,041	13,495	23,196,536
Total Assets	33,695,390	801,259	34,496,649
Deferred Outflows of Resources:			
Deferred loss on defeasance of bonds	410,302	-	410,302
Deferred outflows related to retirement plans	4,283,641	76,354	4,359,995
Total Deferred Outflows of Resources	4,693,943	76,354	4,770,297
Total Assets and Deferred Outflows of Resources	\$ 38,389,333	\$ 877,613	\$ 39,266,946
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 63,545	\$ -	\$ 63,545
Unearned revenue	3,035	-	3,035
Current portion of bond obligations	1,405,000	-	1,405,000
Current portion of accrued sick leave	128,791	-	128,791
Interest payable	99,503	-	99,503
Total Current Liabilities	1,699,874	-	1,699,874
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	11,764,909	-	11,764,909
Net pension liability	7,175,957	319,012	7,494,969
Other postemployment benefits liability	6,189,677	89,087	6,278,764
Noncurrent portion of accrued sick leave	680,297	-	680,297
Total Noncurrent Liabilities	25,810,840	408,099	26,218,939
Total Liabilities	27,510,714	408,099	27,918,813
Deferred Inflows of Resources:			
Deferred inflows related to retirement plans	2,758,079	34,318	2,792,397
Total Deferred Inflows of Resources	2,758,079	34,318	2,792,397
Total Liabilities and Deferred Inflows of Resources	\$ 30,268,793	\$ 442,417	\$ 30,711,210
NET POSITION			
Net investment in capital assets	\$ 10,013,132	\$ 13,495	\$ 10,026,627
Restricted	6,037,148	-	6,037,148
Unrestricted	(7,929,740)	421,701	(7,508,039)
Total Net Position	\$ 8,120,540	\$ 435,196	\$ 8,555,736

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

**Hancock County School District
Statement of Activities
As of June 30, 2023**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
<u>Governmental Activities:</u>							
Instruction	\$ 15,560,821	\$ 11,007	\$ 3,231,676	\$ -	\$ (12,318,138)	\$ -	\$ (12,318,138)
Support services:							
Student	958,974	-	1,181,126	-	222,152	-	222,152
Instruction staff	1,111,209	-	178,184	-	(933,025)	-	(933,025)
District administrative	1,158,694	-	67,724	-	(1,090,970)	-	(1,090,970)
School administrative	1,162,369	-	1,073,781	-	(88,588)	-	(88,588)
Business	813,426	-	314,491	-	(498,935)	-	(498,935)
Plant operation and maintenance	783,894	-	422,469	-	(361,425)	-	(361,425)
Student transportation	2,213,615	-	404,299	-	(1,809,316)	-	(1,809,316)
Food service	519	-	-	-	(519)	-	(519)
Day care	28,078	-	-	-	(28,078)	-	(28,078)
Community service activities	219,796	-	-	-	(219,796)	-	(219,796)
Interest on long-term debt	646,141	-	-	-	(646,141)	-	(646,141)
Depreciation (unallocated)	959,208	-	-	-	(959,208)	-	(959,208)
Total Governmental Services	<u>25,616,744</u>	<u>11,007</u>	<u>6,873,750</u>	<u>-</u>	<u>(18,731,987)</u>	<u>-</u>	<u>(18,731,987)</u>
<u>Business Type Activities:</u>							
Food service	1,436,497	360,272	1,156,313	-	-	80,088	80,088
Daycare operations	31,053	69,973	-	-	-	38,920	38,920
Adult education	1,000	870	-	-	-	(130)	(130)
Total Business Activities	<u>1,468,550</u>	<u>431,115</u>	<u>1,156,313</u>	<u>-</u>	<u>-</u>	<u>118,878</u>	<u>118,878</u>
Total Activities	<u>\$ 27,085,294</u>	<u>\$ 442,122</u>	<u>\$ 8,030,063</u>	<u>\$ -</u>			<u>\$ (18,613,109)</u>
<u>General Revenues:</u>							
Taxes:							
Property tax				\$ 6,558,906	\$ -	\$ 6,558,906	
Motor vehicle tax				389,033	-	389,033	
Utility tax				2,710,696	-	2,710,696	
Investment earnings				358,920	33,705	392,625	
State and formula grants				9,328,838	-	9,328,838	
Other local revenues				1,123,807	-	1,123,807	
Transfers				18,322	(18,322)	-	
Disposal of assets				74,276	-	74,276	
Total General Revenues				<u>20,562,798</u>	<u>15,383</u>	<u>20,578,181</u>	
Change in Net Position				1,830,811	134,261	1,965,072	
Net Position - Beginning				<u>6,289,729</u>	<u>300,935</u>	<u>6,590,664</u>	
Net Position - Ending				<u>\$ 8,120,540</u>	<u>\$ 435,196</u>	<u>\$ 8,555,736</u>	

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

**Hancock County School District
Balance Sheet – Governmental Funds
As of June 30, 2023**

	<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>
<u>ASSETS AND RESOURCES:</u>						
Cash and cash equivalents	\$ 2,940,054	\$ -	\$ 2,506,711	\$ 2,123,545	\$ 1,094,195	\$ 8,664,505
Investments	1,394,531	-	-	-	-	1,394,531
Accounts receivable:						
Taxes - current	346,059	107,254	-	-	-	453,313
Due from other funds	104,219	-	-	-	-	104,219
Total Assets and Resources	<u>\$ 4,784,863</u>	<u>\$ 107,254</u>	<u>\$ 2,506,711</u>	<u>\$ 2,123,545</u>	<u>\$ 1,094,195</u>	<u>\$ 10,616,568</u>
<u>LIABILITIES AND FUND BALANCES:</u>						
<u>LIABILITIES:</u>						
Accounts payable	\$ 63,545	\$ -	\$ -	\$ -	\$ -	\$ 63,545
Due to other funds	-	104,219	-	-	-	104,219
Current portion of accumulated sick leave	128,791	-	-	-	-	128,791
Unearned revenue	-	3,035	-	-	-	3,035
Total Liabilities	<u>192,336</u>	<u>107,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,590</u>
<u>FUND BALANCES:</u>						
Restricted	312,697	-	2,506,711	2,123,545	1,094,195	6,037,148
Committed	769,576	-	-	-	-	769,576
Unassigned	3,510,254	-	-	-	-	3,510,254
Total Fund Balances	<u>4,592,527</u>	<u>-</u>	<u>2,506,711</u>	<u>2,123,545</u>	<u>1,094,195</u>	<u>10,316,978</u>
Total Liabilities and Fund Balances	<u>\$ 4,784,863</u>	<u>\$ 107,254</u>	<u>\$ 2,506,711</u>	<u>\$ 2,123,545</u>	<u>\$ 1,094,195</u>	<u>\$ 10,616,568</u>

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, 2023

Total fund balance per fund financial statements \$ 10,316,978

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	42,846,237	
Accumulated depreciation	<u>(19,663,196)</u>	23,183,041

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	410,302	
Net pension liability	(7,175,957)	
Other postemployment benefits liability	(6,189,677)	
Deferred outflows of resources related to retirement plans	4,283,641	
Deferred inflows of resources	(2,758,079)	
Long-term debt	(13,169,909)	
Long-term portion sick leave accrual	(680,297)	
Accrued interest payable	<u>(99,503)</u>	<u>(25,379,479)</u>

Net position for governmental activities \$ 8,120,540

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, 2023

	<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>
REVENUES:						
From local sources:						
Taxes:						
Property	\$ 5,590,445	\$ -	\$ -	\$ 968,461	\$ -	\$ 6,558,906
Motor vehicle and watercraft	389,033	-	-	-	-	389,033
Utilities	2,710,696	-	-	-	-	2,710,696
Tuition and fees	11,007	-	-	-	-	11,007
Earnings on investments	358,920	-	-	-	-	358,920
Other local revenues	200,382	93,881	-	-	829,544	1,123,807
Intergovernmental - intermediate	66,562	-	-	-	-	66,562
Intergovernmental - state	11,230,684	1,286,593	-	570,804	1,012,429	14,100,510
Intergovernmental - indirect federal	-	1,945,083	-	-	-	1,945,083
Intergovernmental - direct federal	90,433	-	-	-	-	90,433
Total Revenues	<u>20,648,162</u>	<u>3,325,557</u>	<u>-</u>	<u>1,539,265</u>	<u>1,841,973</u>	<u>27,354,957</u>
EXPENDITURES:						
Current:						
Instruction	12,061,248	2,328,129	-	-	768,918	15,158,295
Support services:						
Student	852,746	106,228	-	-	-	958,974
Instruction staff	721,184	366,464	-	-	-	1,087,648
District administrative	1,078,009	80,685	-	-	-	1,158,694
School administrative	1,162,369	-	-	-	-	1,162,369
Business	709,195	104,231	-	-	-	813,426
Plant operation and maintenance	2,421,454	-	-	-	-	2,421,454
Student transportation	2,369,550	31,181	-	-	-	2,400,731
Food service	519	-	-	-	-	519
Day care	-	28,078	-	-	-	28,078
Facilities acquisition and construction	-	-	166,129	-	-	166,129
Community service activities	26,378	193,418	-	-	-	219,796
Debt service	-	-	303,739	-	1,598,061	1,901,800
Total Expenditures	<u>21,402,652</u>	<u>3,238,414</u>	<u>469,868</u>	<u>-</u>	<u>2,366,979</u>	<u>27,477,913</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(754,490)</u>	<u>87,143</u>	<u>(469,868)</u>	<u>1,539,265</u>	<u>(525,006)</u>	<u>(122,956)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	137,281	31,816	-	-	737,135	906,232
Transfers out	(31,816)	(118,959)	-	(737,135)	-	(887,910)
Bond Principle Proceeds	-	-	2,819,718	-	-	2,819,718
Disposal of assets	74,276	-	-	-	-	74,276
Total Other Financing Sources (Uses)	<u>179,741</u>	<u>(87,143)</u>	<u>2,819,718</u>	<u>(737,135)</u>	<u>737,135</u>	<u>2,912,316</u>
Change in fund balance	(574,749)	-	2,349,850	802,130	212,129	2,789,360
Fund Balance, Beginning of Year	5,167,276	-	156,861	1,321,415	882,066	7,527,618
Fund Balance, End of Year	<u>\$ 4,592,527</u>	<u>\$ -</u>	<u>\$ 2,506,711</u>	<u>\$ 2,123,545</u>	<u>\$ 1,094,195</u>	<u>\$ 10,316,978</u>

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, 2023

Net change in total fund balances per fund financial statements		\$ 2,789,360
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	(959,206)	
Capital outlay	<u>2,048,048</u>	1,088,842
Bond issue proceeds, which are reported as other sources of funds in the fund financial statements, are reflected as a liability on the statement of net position		
Bond issue proceeds	(2,820,000)	
Bond premium	<u>-</u>	(2,820,000)
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	1,250,000	
Change in accrued interest payable	4,170	
Amortization of bond premiums and discounts	<u>1,771</u>	1,198,695
Change in noncurrent portion of accrued sick leave		23,561
Difference between actuarially determined pension and OPEB expenses and actual contributions to the pension and OPEB plans.		
Actuarially determined pension expense	(533,345)	
Actuarially determined OPEB expense	(929,740)	
Actual pension and OPEB contributions	<u>1,013,438</u>	<u>(449,647)</u>
Change in net position		<u>\$ 1,830,811</u>

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, 2023

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 707,916	\$ 48,183	\$ 1,270	\$ 757,369
Inventory	30,395	-	-	30,395
Total Current Assets	738,311	48,183	1,270	787,764
Noncurrent Assets:				
Capital assets	710,445	-	8,596	719,041
Less: accumulated depreciation	(696,950)	-	(8,596)	(705,546)
Total Noncurrent Assets	13,495	-	-	13,495
Total Assets	751,806	48,183	1,270	801,259
Deferred Outflows of Resources:				
Deferred outflows related to retirement plans	66,170	10,184	-	76,354
Total Deferred Outflows of Resources	66,170	10,184	-	76,354
Total Assets and Deferred Outflows of Resources	\$ 817,976	\$ 58,367	\$ 1,270	\$ 877,613
<u>LIABILITIES</u>				
Noncurrent Liabilities:				
Net pension liability	\$ 282,870	\$ 36,142	\$ -	\$ 319,012
Other postemployment benefits liability	79,789	9,298	-	89,087
Total Noncurrent Liabilities	362,659	45,440	-	408,099
Total Liabilities	362,659	45,440	-	408,099
Deferred Inflows of Resources:				
Deferred inflows related to retirement plans	29,093	5,225	-	34,318
Total Deferred Inflows of Resources	29,093	5,225	-	34,318
Total Liabilities and Deferred Inflows of Resources	\$ 391,752	\$ 50,665	\$ -	\$ 442,417
<u>NET POSITION:</u>				
Investment in capital assets	13,495	-	-	13,495
Unrestricted	412,729	7,702	1,270	421,701
Net Position	426,224	7,702	1,270	435,196
Total Liabilities and Net Position	\$ 817,976	\$ 58,367	\$ 1,270	\$ 877,613

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, 2023

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>OPERATING REVENUES:</u>				
Lunchroom sales	\$ 352,119	\$ -	\$ -	\$ 352,119
Other operating revenues	8,153	69,973	870	78,996
Total Operating Revenues	<u>360,272</u>	<u>69,973</u>	<u>870</u>	<u>431,115</u>
<u>OPERATING EXPENSES:</u>				
Salaries and wages	611,854	13,569	-	625,423
Materials and supplies	817,796	-	-	817,796
Depreciation	6,847	-	-	6,847
Other operating expenses	-	17,484	1,000	18,484
Total Operating Expenses	<u>1,436,497</u>	<u>31,053</u>	<u>1,000</u>	<u>1,468,550</u>
Operating Profit (Loss)	<u>(1,076,225)</u>	<u>38,920</u>	<u>(130)</u>	<u>(1,037,435)</u>
<u>NON-OPERATING REVENUES:</u>				
Federal grants	1,045,367	-	-	1,045,367
Donated commodities	25,544	-	-	25,544
State grants	85,402	-	-	85,402
Interest income	33,705	-	-	33,705
Total Non-Operating Revenues	<u>1,190,018</u>	<u>-</u>	<u>-</u>	<u>1,190,018</u>
Income before transfers	113,793	38,920	(130)	152,583
<u>Transfers</u>				
Transfers out	<u>(18,322)</u>	<u>-</u>	<u>-</u>	<u>(18,322)</u>
Change in net position	95,471	38,920	(130)	134,261
Net position, beginning of year	<u>330,753</u>	<u>(31,218)</u>	<u>1,400</u>	<u>300,935</u>
Net position, end of year	<u>\$ 426,224</u>	<u>\$ 7,702</u>	<u>\$ 1,270</u>	<u>\$ 435,196</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, 2023

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash receipts from:				
Lunchroom sales	\$ 352,119	\$ -	\$ -	\$ 352,119
Other activities	8,153	69,973	870	78,996
Cash payments for:				
Employees	(613,093)	(13,602)	-	(626,695)
Supplies	(817,796)	-	-	(817,796)
Other operating expenses	-	(17,482)	(1,000)	(18,482)
Net Cash Provided (Used) In Operating Activities	<u>(1,070,617)</u>	<u>38,889</u>	<u>(130)</u>	<u>(1,031,858)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>				
Transfers out	(18,322)	-	-	(18,322)
Cash received for operating grants	1,156,313	-	-	1,156,313
Net Cash Provided By Non-Capital Financing Activities	<u>1,137,991</u>	<u>-</u>	<u>-</u>	<u>1,137,991</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest income	33,705	-	-	33,705
Net Cash Provided In Capital Financing Activities	<u>33,705</u>	<u>-</u>	<u>-</u>	<u>33,705</u>
Net Increase (Decrease) In Cash And Cash Equivalents	101,079	38,889	(130)	139,838
Cash and Cash Equivalents, Beginning of Year	<u>606,837</u>	<u>9,294</u>	<u>1,400</u>	<u>617,531</u>
Cash and Cash Equivalents, End of Year	<u>\$ 707,916</u>	<u>\$ 48,183</u>	<u>\$ 1,270</u>	<u>\$ 757,369</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, 2023

	<u>Food Service Fund</u>	<u>Child Care Fund</u>	<u>Adult Education Fund</u>	<u>Total</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>				
Operating income (loss)	\$ (1,076,225)	\$ 38,920	\$ (130)	\$ (1,037,435)
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME/(LOSS) TO NET CASH PROVIDED IN OPERATING ACTIVITIES:</u>				
Net Pension and OPEB Related Items	(1,239)	(31)	-	(1,270)
Depreciation	6,847	-	-	6,847
Net Cash Provided (Used) In Operating Activities	<u>\$ (1,070,617)</u>	<u>\$ 38,889</u>	<u>\$ (130)</u>	<u>\$ (1,031,858)</u>
<u>SCHEDULE OF NON-CASH FINANCING ACTIVITIES:</u>				
Donated commodities received from federal government	<u>\$ 25,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,544</u>

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

Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023

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, 2023

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, 2023

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, 2023

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 1st when the tax becomes delinquent.

The property tax rates assessed for the year ended June 30, 2023, 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, 2023**

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, 2023

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, 2023, 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.

Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023

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, 2023

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.

DEFERRED OUTFLOW AND INFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also has deferred outflows related to pensions and other post-employment benefits.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has items related to pensions and other post-employment benefits that qualify for reporting in this category.

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.

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

EFFECT OF NEW ACCOUNTING STANDARD

In May of 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96 related to Subscription-Based Information Technology Arrangements. This Statement improves accounting and financial reporting by state and local governments for SBITAs and is effective for fiscal years beginning after June 15, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for SBITA that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model of SBITA accounting based on the foundational principle that SBITA are financings of the right to use an underlying subscription-based asset. This implementation resulted in no impact on the current year financial statements.

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 2 – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District’s cash and cash equivalents was \$10,816,405. 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, 2023:

<u>Financial Institution:</u>	
First Financial Bank	<u>\$ 10,816,405</u>
<u>Allocation per Financial Statements:</u>	
Governmental Funds	\$ 10,059,036
Business Type Funds	<u>757,369</u>
Totals	<u>\$ 10,816,405</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, 2023:

	June 30, 2023	Level 1	Level 2	Level 3
3% Certificate of Deposit issued September 2019 maturing September 2024	\$ 1,394,531	\$ -	\$ 1,394,531	\$ -

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.

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.

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
<u>GOVERNMENTAL ACTIVITIES:</u>				
Land	\$ 285,807	\$ 280,000	\$ -	\$ 565,807
Land improvements	1,170,542	-	-	1,170,542
Building and improvements	32,378,441	391,390	-	32,769,831
Technology	2,967,007	64,998	-	3,032,005
Vehicles	2,633,059	470,030	-	3,103,089
General equipment	1,363,333	460,400	-	1,823,733
Construction in progress	-	381,230	-	381,230
	<u>40,798,189</u>	<u>2,048,048</u>	<u>-</u>	<u>42,846,237</u>
Land improvements	(1,011,666)	(37,852)	-	(1,049,518)
Building and improvements	(12,043,178)	(590,017)	-	(12,633,195)
Technology	(2,480,633)	(110,668)	-	(2,591,301)
Vehicles	(2,183,707)	(147,270)	-	(2,330,977)
General equipment	(984,806)	(73,399)	-	(1,058,205)
	<u>(18,703,990)</u>	<u>(959,206)</u>	<u>-</u>	<u>(19,663,196)</u>
Less: accumulated depreciation				
Governmental activities, net	<u>\$ 22,094,199</u>	<u>\$ 1,088,842</u>	<u>\$ -</u>	<u>\$ 23,183,041</u>
	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
<u>BUSINESS TYPE ACTIVITIES:</u>				
Food service equipment	710,447	-	-	710,447
Community education equipment	8,596	-	-	8,596
	<u>719,043</u>	<u>-</u>	<u>-</u>	<u>719,043</u>
Food service equipment	(690,105)	(6,847)	-	(696,952)
Community education equipment	(8,596)	-	-	(8,596)
	<u>(698,701)</u>	<u>(6,847)</u>	<u>-</u>	<u>(705,548)</u>
Less: accumulated depreciation				
Business type activities, net	<u>\$ 20,342</u>	<u>\$ (6,847)</u>	<u>\$ -</u>	<u>\$ 13,495</u>

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, 2023**

NOTE 5- BONDED DEBT OBLIGATIONS

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

Issue Date	Issue Name	Original Amount	Interest Rate	Maturity Date
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
2023	Hancock CSD Revenue Bonds 2023	\$ 2,820,000	3.5% - 4.15%	2039

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, 2023**

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, 2023, 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
2023-24	\$ 649,595	\$ 318,012	\$ 755,405	\$ 105,523	\$ 1,405,000	\$ 423,535
2024-25	590,254	304,621	284,746	87,193	875,000	391,814
2025-26	602,411	289,216	292,589	79,350	895,000	368,566
2026-27	612,886	270,386	302,114	69,825	915,000	340,211
2027-28	634,908	251,269	290,092	60,412	925,000	311,681
2028-29	653,097	233,949	216,903	52,262	870,000	286,211
2029-30	675,817	211,829	224,183	44,981	900,000	256,810
2030-31	532,245	191,782	202,755	37,662	735,000	229,444
2031-32	552,570	172,780	162,430	30,629	715,000	203,409
2032-33	573,985	152,836	166,015	25,029	740,000	177,865
2033-34	602,374	131,580	172,626	19,354	775,000	150,934
2034-35	620,230	109,059	144,770	13,172	765,000	122,231
2035-36	653,440	85,452	61,560	8,283	715,000	93,735
2036-37	674,993	60,487	65,007	5,989	740,000	66,476
2037-38	694,739	34,589	70,261	3,511	765,000	38,100
2038-39	410,246	7,590	59,754	1,105	470,000	8,695
Totals	\$ 9,733,790	\$ 2,825,437	\$ 3,471,210	\$ 644,280	\$ 13,205,000	\$ 3,469,717

A summary of changes in long-term debt during the fiscal year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
School Building Revenue Bonds	\$ 11,635,000	\$ 2,820,000	\$(1,250,000)	\$ 13,205,000	\$ 1,405,000
<u>Deferred amounts:</u>					
Discounts	(105,516)	-	6,950	(98,566)	-
Premiums	72,196	-	(8,721)	63,475	-
	<u>(33,320)</u>	<u>-</u>	<u>(1,771)</u>	<u>(35,091)</u>	<u>-</u>
Total governmental bonds payable	\$ 11,601,680	\$ 2,820,000	\$(1,251,771)	\$ 13,169,909	\$ 1,405,000

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

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, 2023 is as follows:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Accrued Sick Leave	712,282	\$ 264,390	(167,584)	\$ 809,088	\$ 128,791

NOTE 7 – FUND BALANCES

The following is a summary of fund balances as of June 30, 2023:

	General Fund	Special Revenue	Construction Fund	FSPK Fund	SEEK Capital Outlay Fund	Student Activity Fund	District 21 Activity Fund	Totals
<u>RESTRICTED:</u>								
Construction	\$ 312,697	\$ -	\$ 2,506,711	\$ 2,123,545	\$ 578,931	\$ -	\$ -	\$ 5,521,884
Student activities	-	-	-	-	-	479,951	35,313	515,264
Total Restricted	312,697	-	2,506,711	2,123,545	578,931	479,951	35,313	6,037,148
<u>COMMITTED:</u>								
Sick leave	769,576	-	-	-	-	-	-	769,576
<u>UNASSIGNED:</u>								
	3,510,254	-	-	-	-	-	-	3,510,254
Total Fund Balances	\$ 4,592,527	\$ -	\$ 2,506,711	\$ 2,123,545	\$ 578,931	\$ 479,951	\$ 35,313	\$ 10,316,978

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

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. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all member is \$440 multiplied by credited service.

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 8 – RETIREMENT PLANS

Teachers' Retirement System of the Commonwealth of Kentucky

Pension Plan (continued)

For members who established an account on or after July 1, 2008, and before January 1, 2022, members 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 60 and complete five years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if the service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if the service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for each year of credited service greater than 30 years.

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. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For members who established an account on or after January 1, 2022, to qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 57 and complete 10 years of Kentucky service, or
2. Attain age 65 and complete 5 years of Kentucky service.

The annual foundational benefit is equal to service times a multiplier time final average salary. The multiplier ranges from 1.70% to 2.40%, depending on age and years of service. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

The annual supplemental benefit is equal to the account balance that included member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance or a portion thereof as a lump sum either at the time of retirement or at a later date.

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, 2023**

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 on or after July 1, 2008, and before January 1, 2022. For members who began participating on or after January 1, 2022, non-university members contribute 14.75% of the salaries to the system. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 10.75% of salary.

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

At June 30, 2023, 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>39,830,089</u>
Total		<u><u>\$ 39,830,089</u></u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 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, 2022, the District's proportion was 0.00 percent, which was unchanged from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$3,634,136 and revenue of \$3,634,136 for support provided by the State.

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

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, 2021 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	2.13 percent
Measurement Date	3.37 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	7.10 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, 2023**

NOTE 8 – RETIREMENT PLANS (CONTINUED)

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

Pension Plan (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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)%
Total	100.00%	

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, 2023**

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, 2023 were \$235,783.

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

At June 30, 2023, the District reported a liability of \$4,233,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021 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, 2022, the District's proportion was 0.170493 percent, which was an increase of 0.046714 percent from its proportion measured as of June 30, 2021.

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

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		\$ 4,233,000
State's proportionate share of the net OPEB liability associated with the District		<u>1,390,000</u>
Total		<u><u>\$ 5,623,000</u></u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$743,123 and revenue of \$74,317 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,779,000
Changes of assumptions	860,000	-
Net difference between projected and actual investment earnings on pension plan investments	225,000	-
Changes in proportion and differences between District contributions and proportional share of contributions	1,248,000	122,000
District contributions subsequent to the measurement date	<u>235,783</u>	<u>n/a</u>
Total	<u><u>\$ 2,568,783</u></u>	<u><u>\$ 1,901,000</u></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, 2024. 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, 2023**

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>
2024	\$ (76,000)
2025	(52,000)
2026	(13,000)
2027	255,000
2028	220,000
Thereafter	98,000

Actuarial assumptions: The total OPEB liability in the June 30, 2021 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 2022 decreasing to an ultimate rate of 4.50% by FYE 2032
Post-65	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2025
Medicare Part B Premiums	6.97% for FYE 2022 with an ultimate rate of 4.50% by 2034

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, 2021 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, 2021 valuation of the Medical Insurance Plan were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 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, 2023**

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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)%
Total	100.00%	

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, 2021. 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:

	1.00% Decrease (6.10%)	Current Discount Rate (7.10%)	1.00% Increase (8.10)
District's proportionate share of the collective net OPEB liability as of June 30, 2022	\$ 5,310,000	\$ 4,233,000	\$ 3,340,000

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

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:

	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
District's proportionate share of the collective net OPEB liability as of June 30, 2022	\$ 3,173,000	\$ 4,233,000	\$ 5,550,000

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 if hired prior to January 1, 2022, and ten thousand dollars if hired on or after January 1, 2022. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members if hired prior to January 1, 2022, and five thousand dollars if hired on or after January 1, 2022. 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, 2023, 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, 2023**

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		69,000
Total	\$	69,000

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 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, 2022, the District's proportion was 0.00 percent, which was unchanged from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$5,278 and revenue of \$5,278 for support provided by the State.

Actuarial assumptions: The total OPEB liability in the June 30, 2021 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, 2021 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, 2023**

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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)%
Total	100.00%	

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, 2021. 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, 2023**

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, 2023**

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, 2023, the District's required contribution rate was 23.40 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 \$750,426 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$7,494,969 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2021 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, 2022, the District's proportion was 0.103679 percent, which was an increase of 0.000457 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$555,568. Total pension expense for all plans was \$4,189,704 with revenue of \$3,634,136 for support provided by the State, for the year ended June 30, 2023. At June 30, 2023, 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, 2023**

NOTE 8 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,013	\$ 66,746
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	192,144	-
Changes in proportion and differences between District contributions and proportional share of contributions	40,840	50,886
District contributions subsequent to the measurement date	<u>750,426</u>	<u>n/a</u>
Total	<u><u>\$ 991,423</u></u>	<u><u>\$ 117,632</u></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, 2024. 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:

<u>Year ended June 30:</u>	<u>Amount</u>
2024	\$ (39,645)
2025	13,077
2026	(62,983)
2027	212,916
2028	-
Thereafter	-

Actuarial assumptions: There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012. 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, 2023**

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return on Portfolio		6.58%

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, 2023**

NOTE 8 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

Pension Plan (continued)

	1.00% Decrease (5.25%)	Current Discount Rate (6.25%)	1.00% Increase (7.25%)
District's proportionate share of the collective net pension liability as of June 30, 2022	\$ 9,367,781	\$ 7,494,969	\$ 5,945,998

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, 2022 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$24.0 million and \$3.7 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2021, 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. 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, 2023**

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, 2023, the District's required contribution rate was 3.39 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 \$108,715 for the year ended June 30, 2023, which does not include implicit subsidies reported in the amount of \$73,758. 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, 2023, the District reported a liability of \$2,045,764 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021 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, 2022, the District's proportion was 0.103661 percent, which was an increase of 0.000463 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2021, the District recognized OPEB expense of \$271,806. Total OPEB expense for all plans was \$1,020,207 with revenue of \$79,595 for support provided by the State for the year ended June 30, 2023. At June 30, 2023, 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, 2023**

NOTE 8 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 205,923	\$ 469,141
Changes of assumptions	323,552	266,605
Net difference between projected and actual investment earnings on pension plan investments	83,032	-
Changes in proportion and differences between District contributions and proportional share of contributions	4,809	38,019
Implicit subsidy	73,758	n/a
District contributions subsequent to the measurement date	<u>108,715</u>	<u>n/a</u>
Total	<u><u>\$ 799,789</u></u>	<u><u>\$ 773,765</u></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, 2024. 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:

<u>Year ended June 30:</u>	<u>Amount</u>
2024	\$ (14,388)
2025	(19,479)
2026	(132,515)
2027	9,933
2028	-
Thereafter	-

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 8 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

Actuarial assumptions: The total OPEB liability as of June 30, 2022, 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 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 9.00% at January 1, 2024, 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, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 2090 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 8 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	(0.91)%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

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 5.70% was used to measure the total OPEB liability as of June 30, 2022. The discount rate determination used an expected rate of return of 6.25 percent, and a municipal bond rate of 3.69 percent, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. 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.

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 8 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

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 5.70 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 (4.70 percent) or one percentage point higher (6.70 percent) than the current rate:

	1.00% Decrease (4.70%)	Current Discount Rate (5.70%)	1.00% Increase (6.70%)
District's proportionate share of the collective net OPEB liability as of June 30, 2022	\$ 2,734,860	\$ 2,045,764	\$ 1,476,111

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:

	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
District's proportionate share of the collective net OPEB liability as of June 30, 2022	\$ 1,520,980	\$ 2,045,764	\$ 2,675,930

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.

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.

Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 9 – CONTINGENCIES (Continued)

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, 2023**

NOTE 12 – TRANSFER OF FUNDS

The following transfers were made during the fiscal year ended June 30, 2023:

<u>From:</u>	<u>To:</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 31,816
FSPK	Debt Service	737,135
Special Revenue	General Fund	118,959
Food Service	General Fund	18,322
		<u>\$ 906,232</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 \$104,219. 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	\$ 3,713,731
Health Insurance	1,738,829
Life Insurance	3,150
Health Reimbursement Account - HRA/Dental/Vision	204,137
Administrative Fee	25,152
Less: Federal Reimbursements of Health Benefits	<u>(201,288)</u>
Total On-Behalf Payments for Fringe Benefits	5,483,711
Technology On-Behalf Payments	98,681
School Facilities Construction Commission (SFCC) Debt Service	<u>860,926</u>
Total On-Behalf Payments	<u>\$ 6,443,318</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.

NOTE 15 – BUDGET ORDINANCE VIOLATION:

During the year ended June 30, 2023, the District expended \$1,748,382 and \$983,605 more than was legally appropriated in the General and Special Revenue funds, respectively. This is a violation of Kentucky Revised Statutes 91A.030. However, the excess of the expenditures over budgeted amounts was covered by existing reserves in both funds.

**Hancock County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 16 – SUBSEQUENT EVENTS

In accordance with ASC 855, subsequent events were evaluated through February 19, 2024, 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, 2023

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES:</u>				
From local sources				
Taxes:				
Property	\$ 5,350,000	\$ 5,678,329	\$ 5,590,445	\$ (87,884)
Motor vehicle and watercraft	300,000	300,000	389,033	89,033
Utilities	1,679,376	2,674,883	2,710,696	35,813
Tuition and fees	4,000	12,000	11,007	(993)
Earnings on investments	72,000	300,000	358,920	58,920
Other local revenues	240,318	331,309	200,382	(130,927)
Intergovernmental - intermediate	-	-	66,562	66,562
Intergovernmental - state	4,603,857	4,852,257	11,230,684	6,378,427
Intergovernmental - direct federal	25,000	57,138	90,433	33,295
	<u>12,274,551</u>	<u>14,205,916</u>	<u>20,648,162</u>	<u>6,442,246</u>
Total Revenues	<u>12,274,551</u>	<u>14,205,916</u>	<u>20,648,162</u>	<u>6,442,246</u>
<u>EXPENDITURES:</u>				
Instruction	7,267,940	7,150,665	12,061,248	(4,910,583)
Support services:				
Student	721,576	733,347	852,746	(119,399)
Instruction staff	591,176	621,309	721,184	(99,875)
District administrative	546,414	1,076,631	1,078,009	(1,378)
School administrative	1,117,793	1,117,793	1,162,369	(44,576)
Business	501,068	579,395	709,195	(129,800)
Plant operation & maintenance	1,821,152	2,165,683	2,421,454	(255,771)
Student transportation	2,055,394	2,258,998	2,369,550	(110,552)
Day care	22,653	25,913	-	25,913
Community services	-	-	26,378	(26,378)
Food service	150	150	519	(369)
Land improvements	25,000.00	-	-	-
Contingency	385,972	3,924,386	-	3,924,386
	<u>15,056,288</u>	<u>19,654,270</u>	<u>21,402,652</u>	<u>(1,748,382)</u>
Total Expenditures	<u>15,056,288</u>	<u>19,654,270</u>	<u>21,402,652</u>	<u>(1,748,382)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(2,781,737)</u>	<u>(5,448,354)</u>	<u>(754,490)</u>	<u>4,693,864</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	170,294	244,222	137,281	(106,941)
Transfers out	(18,181)	(31,816)	(31,816)	-
Capital Asset Disposal	-	50,871	74,276	23,405
	<u>152,113</u>	<u>263,277</u>	<u>179,741</u>	<u>(83,536)</u>
Total Other Financing Sources (Uses)	<u>152,113</u>	<u>263,277</u>	<u>179,741</u>	<u>(83,536)</u>
Change in fund balance	(2,629,624)	(5,185,077)	(574,749)	4,610,328
Fund Balance, Beginning of Year	<u>2,629,624</u>	<u>5,167,276</u>	<u>5,167,276</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (17,801)</u>	<u>\$ 4,592,527</u>	<u>\$ 4,610,328</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, 2023

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES:</u>				
Other local revenues	\$ 225	\$ 6,504	\$ 93,881	\$ 87,377
Intergovernmental - state	997,121	1,037,520	1,286,593	249,073
Intergovernmental - federal	787,808	1,208,736	1,945,083	736,347
	<u>1,785,154</u>	<u>2,252,760</u>	<u>3,325,557</u>	<u>1,072,797</u>
<u>EXPENDITURES:</u>				
Instruction	1,229,991	1,609,647	2,328,129	(718,482)
Support services:				
Student	133,974	111,899	106,228	5,671
Instruction staff	218,311	299,854	366,464	(66,610)
School administrative	-	1,922	80,685	(78,763)
Plant operations and maintenance	36,362	36,362	-	36,362
Business	-	-	104,231	(104,231)
Student transportation	2,070	2,070	31,181	(29,111)
Food service	-	-	-	-
Day care	-	-	28,078	(28,078)
Community services	182,627	192,410	193,418	(1,008)
	<u>1,803,335</u>	<u>2,254,164</u>	<u>3,238,414</u>	<u>(984,250)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(18,181)</u>	<u>(1,404)</u>	<u>87,143</u>	<u>88,547</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	18,181	18,181	31,816	13,635
Transfers out	-	(16,777)	(118,959)	(102,182)
	<u>18,181</u>	<u>1,404</u>	<u>(87,143)</u>	<u>(88,547)</u>
Change in fund balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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>2022</u>	<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%	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	0.2351%	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>39,830,089</u>	<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>\$ 39,830,089</u>	<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	\$ 7,926,785	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	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>2023</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,859,403	\$ 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%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.170493%	0.123779%	0.126689%	0.127662%	0.125901%	0.130107%
District's proportionate share of the collective net OPEB liability	\$ 4,233,000	\$ 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	0.056009%	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>1,390,000</u>	<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>
Total	<u>\$ 5,623,000</u>	<u>\$ 4,813,000</u>	<u>\$ 5,758,000</u>	<u>\$ 6,753,000</u>	<u>\$ 8,133,000</u>	<u>\$ 8,429,000</u>
District's covered-employee payroll	\$ 7,926,785	\$ 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	53.40%	36.39%	42.87%	50.42%	59.32%	66.66%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 235,783	\$ 237,806	\$ 218,981	\$ 223,742	\$ 222,294	\$ 220,890
Contributions in relation to the statutorily required contribution	<u>(235,783)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,859,403	\$ 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%	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>2022</u>	<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%	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	0.222360%	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>69,000</u>	<u>29,000</u>	<u>77,000</u>	<u>70,000</u>	<u>65,000</u>	<u>51,000</u>
Total	<u>\$ 69,000</u>	<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	\$ 7,926,785	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	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>2023</u>	<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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,859,403	\$ 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%	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>2022</u>	<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	0.103679%	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	\$ 7,494,969	\$ 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	\$ 2,882,392	\$ 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	260.03%	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	52.42%	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>2023</u>	<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	\$ 750,426	\$ 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>(750,426)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,206,945	\$ 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	23.40%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.103661%	0.103198%	0.105588%	0.104555%	0.104933%	0.104556%
District's proportionate share of the collective net OPEB liability	\$ 2,045,764	\$ 1,975,674	\$ 2,549,629	\$ 1,758,568	\$ 1,863,065	\$ 2,101,933
District's covered-employee payroll	\$ 2,882,392	\$ 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	70.97%	74.89%	94.14%	66.66%	71.63%	82.60%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 108,715	\$ 166,602	\$ 125,580	\$ 128,914	\$ 138,756	\$ 122,240
Contributions in relation to the statutorily required contribution	<u>(108,715)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,206,945	\$ 2,882,392	\$ 2,638,236	\$ 2,708,282	\$ 2,637,954	\$ 2,600,855
Contributions as a percentage of covered-employee payroll	3.39%	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, 2023**

Kentucky Teachers' Retirement System

Pension Plan

Changes of benefit terms: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 8 of this report.

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: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 8 of this report.

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, 2023**

Kentucky Teachers' Retirement System (continued)

Medical Insurance Plan (continued)

Changes of assumptions:

- In 2022, health care cost trend rates were updated to reflect future anticipated experience.
- 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: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 8 of this report.

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, 2023**

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, 2023**

County Employees' Retirement System

Other Postemployment Benefits Plan

Changes of benefit terms: Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 2090 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

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, 2023**

	SEEK Capital Outlay Fund	Debt Service Fund	District 21 Activity Fund	Student Activity Fund	Total Non-Major Governmental Funds
<u>ASSETS AND RESOURCES:</u>					
Cash and cash equivalents	\$ 578,931	\$ -	\$ 35,313	\$ 479,951	\$ 1,094,195
 Total Assets and Resources	<u>\$ 578,931</u>	<u>-</u>	<u>\$ 35,313</u>	<u>\$ 479,951</u>	<u>\$ 1,094,195</u>
<u>LIABILITIES:</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES:</u>					
Restricted	578,931	-	35,313	479,951	1,094,195
 Total Fund Balances	<u>578,931</u>	<u>-</u>	<u>35,313</u>	<u>479,951</u>	<u>1,094,195</u>
 Total Liabilities and Fund Balances	<u>\$ 578,931</u>	<u>\$ -</u>	<u>\$ 35,313</u>	<u>\$ 479,951</u>	<u>\$ 1,094,195</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, 2023

	SEEK Capital Outlay Fund	Debt Service Fund	District 21 Activity Fund	Student Activity Fund	Total Non-major Governmental Funds
REVENUES:					
From local sources:					
Other	\$ -	\$ -	\$ 8,027	\$ 821,517	\$ 829,544
Earnings on investments	-	-	-	-	-
Intergovernmental - State	151,503	860,926	-	-	1,012,429
Total Revenues	<u>151,503</u>	<u>860,926</u>	<u>8,027</u>	<u>821,517</u>	<u>1,841,973</u>
EXPENDITURES:					
Instruction	-	-	9,730	759,188	768,918
Debt service	-	1,598,061	-	-	1,598,061
Total Expenditures	<u>-</u>	<u>1,598,061</u>	<u>9,730</u>	<u>759,188</u>	<u>2,366,979</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>151,503</u>	<u>(737,135)</u>	<u>(1,703)</u>	<u>62,329</u>	<u>(525,006)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	737,135	-	-	737,135
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>737,135</u>	<u>-</u>	<u>-</u>	<u>737,135</u>
Change in fund balance	151,503	-	(1,703)	62,329	212,129
Fund balance, beginning of year	<u>427,428</u>	<u>-</u>	<u>37,016</u>	<u>417,622</u>	<u>882,066</u>
Fund balance, end of year	<u>\$ 578,931</u>	<u>\$ -</u>	<u>\$ 35,313</u>	<u>\$ 479,951</u>	<u>\$ 1,094,195</u>

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, 2023**

	<u>Cash Balance July 1, 2022</u>	<u>Receipts For Year</u>	<u>Disbursements For Year</u>	<u>Cash Balance June 30, 2023</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balance June 30, 2023</u>
<u>SCHOOL ACTIVITY FUNDS:</u>							
Hancock Middle School	\$ 93,960	\$ 124,856	\$ 114,251	\$ 104,565	\$ -	\$ -	\$ 104,565
North Hancock Elementary	81,837	123,463	71,782	133,518	-	-	133,518
South Hancock Elementary	21,648	35,061	33,731	22,978	-	-	22,978
Totals	\$ 197,445	\$ 283,380	\$ 219,764	\$ 261,061	\$ -	\$ -	\$ 261,061

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, 2023**

<u>Accounts</u>	Cash Balance July 1, 2022	Receipts For Year	Disbursements For Year	Cash Balance	Transfer In/(Out)	Fund Balance June 30, 2023
Hancock County High School:						
General	\$ 21,584	\$ 61,756	\$ (59,045)	\$ 24,295	\$ 9,499	\$ 33,794
Athletic	116,889	308,271	(303,621)	121,539	(10,267)	111,272
Clubs	61,796	150,151	(156,015)	55,932	577	56,509
Scholarship Funds	3,591	5,000	(8,372)	219	1,100	1,319
Student Council	37	-	-	37	-	37
Supplies	1,910	2,649	(1,435)	3,124	-	3,124
Industrial Technology	14,370	10,310	(10,936)	13,744	(909)	12,835
	<u>\$ 220,177</u>	<u>\$ 538,137</u>	<u>\$ (539,424)</u>	<u>\$ 218,890</u>	<u>\$ -</u>	<u>\$ 218,890</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, 2023. 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, 2023.

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.

ATA CPAs + Advisors PLLC

Owensboro, Kentucky
February 19, 2024



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, 2023, 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 February 19, 2024.

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 identified two deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2023-001, 2023-002 and 2023-003)

Hancock County School District
Notes to the Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2023

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 February 19, 2024.

Purpose of this Report

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

ATA CPAs + Advisors PLLC

Owensboro, Kentucky
February 19, 2024

Hancock County School District
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
United States Department of Agriculture:			
<i>Passed through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	7760005	\$ 306,939
National School Lunch Program	10.555	7750002	630,915
National School Lunch Program	10.555	9980000	62,234
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	9980000	25,544
Total Child Nutrition Cluster			1,025,632
State Administrative Expenses for Child Nutrition	10.560	7700001	961
State P-EBT Administrative Costs Grant	10.649	9990000	628
Child and Adult Care Food Program	10.558	7790021	40,663
Child and Adult Care Food Program	10.558	7800016	3,027
Total Child and Adult Care Food Program			43,690
Total United States Department of Agriculture			1,070,911
United States Department of Education:			
<i>Passed through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010A	3100202-20	13,844
Title I Grants to Local Educational Agencies	84.010A	3100002-22	97,938
Title I Grants to Local Educational Agencies	84.010A	3100002-21	342,075
Total Title I Grants to Local Educational Agencies			453,857
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027A	3810002-22	196,351
Special Education - Grants to States	84.027A	3810002-21	229,609
Special Education - Preschool Grants	84.173A	3810002-22	9,353
Special Education - Preschool Grants	84.027	4900002-21	37,917
Total Special Education Cluster			473,230
Career and Technical Education Basic Grants to States	84.048A	3710002-22	9,966
Career and Technical Education Basic Grants to States	84.048A	3710006-21	645
Total Career and Technical Education			10,611
Supporting Effective Instruction State Grants	84.367A	3230002-20	17,406
Supporting Effective Instruction State Grants	84.367A	3230002-21	49,301
Supporting Effective Instruction State Grants	84.367A	3230002-22	16,010
Total Supporting Effective Instruction State Grants			82,717
Student Support and Academic Enrichment Program	84.424A	3420002-21	21,758
Student Support and Academic Enrichment Program	84.424A	3420002-22	6,990
Total Support and Academic Enrichment			28,748
COVID-19 - Education Stabilization Fund	84.425C	GEER	4,255
COVID-19 - Education Stabilization Fund	84.425D	4300005-21	3,910
COVID-19 - Education Stabilization Fund	84.425U	4300002-21	887,774
Total Education Stabilization Fund			895,939
Total United States Department of Education			1,945,102
United States Department of Health and Human Services:			
<i>Passed through the Commonwealth of Kentucky</i>			
<i>Department of Health and Human Services</i>			
Cooperative Agreement to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	9999999	329
Total Federal Awards Expended			\$ 3,016,342

Hancock County School District
Notes to the Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2023

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, 2023. 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, 2023**

I. Summary

	Results
<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 COVID 19 Education Stabilization Fund	\$ 895,939
84.027 and 84.173 Special Education	\$ 473,230
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**Hancock County School District
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2023**

II. Findings - Financial Statement Audit

**2023-001 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. During the year no activity had been posted by June 30, 2023.

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, 2023**

2023-002 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, 2023 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, 2023**

2023-003 Improving Procedures over Recurring Grant Expenditures

Condition:

It was noted during our audit of the area of testing expenditures of federal awards, particularly special education funds, one transaction was noted, which may or may not follow the requirements of the respective grant, that being the purchase of an Apple iWatch for a special education teacher. The amount of the charge was extremely immaterial in relation to the grant.

Criteria:

Finance staff and staff responsible for grant management should be knowledgeable of allowable costs as they relate to specific grants/programs.

Cause:

Finance staff nor educational staff were unfamiliar with allowable costs related to the grant.

Effect:

The lack of knowledge related to specific grant requirements increases the risk that expenditures may be approved by management and incurred which are not allowable under the specific grant requirements resulting in a compliance violation.

Recommendation:

Auditors recommend that finance staff and staff responsible for grant management make efforts to familiarize themselves with allowable costs principles as they relate to specific grants.

Management Response:

Management concurs has communicated this finding with the responsible staff to ensure in the event similar expenditures, of which management and staff are uncertain of their allowability, be discussed with staff at the Kentucky Department of Education to obtain their opinion as to the allowability of the charge.

**Hancock County School District
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2023**

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, 2023.

IV. Summary Schedule of Prior Audit Findings:

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

Condition:

The District is required to report financial transactions by the Kentucky Department of Education in Fund 25. 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.

Status:

Not Corrected

**Hancock County School District
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2023**

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.
There were no findings or questioned costs related to the financial statement audit for the fiscal year ended June 30, 2022.

Status:

Not Corrected:



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, 2023. 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 reoccurring grant expenditures

During our single audit compliance testing of special education grant funds, we identified one transaction that may not follow grant requirements. The transaction in question was the inadvertent purchase of an Apple Watch that was improperly included with allowable monthly cell service expenditures. The item was not material to the grant but we thought it was important to put in writing to prevent future occurrences.

Recommendation:

We recommend that management review the details of all reoccurring cell service invoices to prevent the inadvertent purchase of equipment or other nonallowable items.

Management Response:

Management concurs with this recommendation and will communicate to responsible staff the procedures as they relate to compliance with grant funds.

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.

- One instance related to the deposit slips not being initialed;
- Fourteen instances related to the deposit receipt not being properly approved;
- One instance related to the deposit slip not being completed;
- Two instances related to bank reconciliation containing one signature;
- One instance related to gate receipts not matching tickets;
- One instance related to the Game Gate form not being totaled completely;

- Eight instances related to the Multiple Receipt Forms missing information;
- Two instances related to a check missing dual signatures;
- Three instances related to a Purchase Order only containing one signature;
- Eleven instances where invoice approval was missing;
- 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.

2022-23 Activity by School:

North Elementary:

- The following were noted over the cash disbursement process:
 - 1) Auditor noted a **repeat finding** that two Purchase Orders only contained one signature.
 - 2) Auditor noted **repeat findings** of three invoices that were missing a signature for approval.
- The following was noted over the cash receipt process:
 - 1) Auditor noted a **repeat finding** that twelve cash receipts were lacking proper initials on the deposit receipt.
 - 2) Auditor noted that one Multiple Receipt form was not properly completed.

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 were noted over the cash disbursement process:
 - 1) Auditor noted a that one check was missing dual signatures.
 - 2) Auditor noted that one Purchase Order only had contained one signature.
 - 3) Auditor noted one instance where the invoice was not attached to the supporting documentation.

- The following was a note related to the cash receipt process:
 - 1) Auditor noted that one cash receipt was lacking approval initials on the deposit slip.
 - 2) Auditor noted that one cash receipt was lacking a deposit slip.
 - 3) Auditor noted that one Multiple Receipt form was not completed.

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 two bank reconciliations contained one signature.
 - 2) Auditor noted a **repeat finding** that one cash receipt was lacking proper initials on the deposit receipt.
 - 3) Auditor noted that one Gate Receipt did not match the ticket totals.
 - 4) Auditor noted that one Game Gate form was not totaled correctly.

- 5) Auditor noted a **repeat finding** that six Multiple Receipt forms were not properly completed.
- The following were noted related to the cash disbursement process:
 - 1) Auditor noted a **repeat finding** that four invoices were missing a signature for approval.

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 one instance where the cash receipt was lacking approval initials on deposit receipt.
- The following were noted related to the cash disbursement process:
 - 1) Auditor noted that one check was missing dual signatures.
 - 2) Auditor noted four instances where invoices were missing a signature for approval.

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:

- Five instances related to the donation forms missing 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;
- Three instances related to a check missing dual signatures;
- One instance related to a Purchase Order only containing one signature;
- Four instances where not Purchase Order 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.

Status:

Some instances seem to have been corrected, but other conditions continue to exist in fiscal year 2022-2023. Management is committed to continually improve the handling of activity funds.

ATA, PLLC

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Owensboro, Kentucky
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